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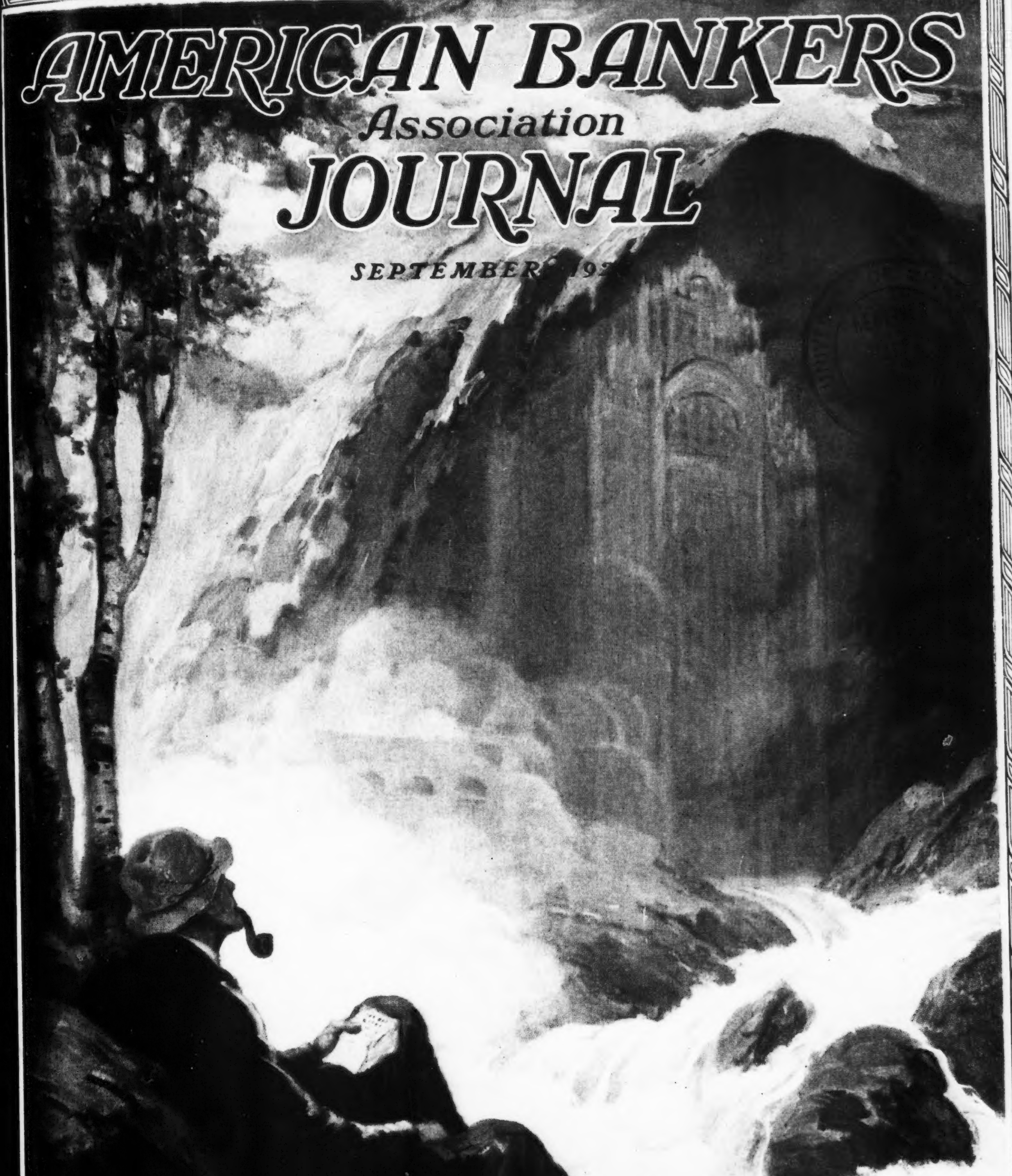

The Beginning of a Bank Merger

The Beginning of a Merger

[THE JOURNAL COVER PICTURE; FROM A PAINTING BY WALTER DE MARIS]

AFTER an inspiration there usually comes—an old envelope.

When a man away from his desk begins to get an idea one of the first outward signs is the production of an old envelope from his coat pocket.

On the back of the envelope he starts to work out his dream. The envelope thus renders an important last service because usually it is in the solitudes, far away from the executive's desk, that new ideas and new vision come.

Among all the astonishing strides that business has made in the last decade—among all the new alignments of capital and of brain power—there is none more intriguing to the thoughtful observer, none more important than the process of merger and consolidation now going on in banking. During the first six months of the present year there were 375 mergers.

MONEY has properties which seem to be independent of people, as is illustrated by Gresham's law—that where an inferior money appears in the channels of trade a superior money has a tendency to draw away from the debased article.

History is full of examples of that phenomenon. The flight of capital, with which so much of Europe was concerned not long ago, was the effort of sound money to take itself away from the influence of debased currency. The present-day tendency of capital, both within and without banking, to gather itself together, perhaps is not related to Gresham's law but is nevertheless an interesting financial phenomena.

Where does a merger begin?

MANY of the mergers of the smaller institutions no doubt begin with the state commissioners of banking. These officials seeing two, three or four banks in a community where there is sufficient business for only one or two banks, look upon a merger as the best possible solution of a highly unsatisfactory condition. The reasons for the mergers in the larger places are many, among which are vision, ambition, initiative, service and the exercise of executive ability.

Many of the mergers in the big cities no doubt begin with the vision of one man and this month's cover illustration is an idealistic portrayal of the inception of a merger during the holiday of a banker—a dream of a greater institution with increased power to serve.

AMERICAN BANKERS ASSOCIATION JOURNAL

The Bank Tax Situation

By THOMAS B. PATON
General Counsel, American Bankers Association

Amendment for Tax Classification of Banks by States Abandoned—Hearings Before Congress and New Developments—Tax Commissioners Now Urging and Bankers Opposing Classification of Bank Shares with Business Real Estate and Deposit Banks.

LAST December, in an article published in the Journal of the Association for that month under the caption, "New Threat to Barrier Against Overtaxation of National Bank Shares," we referred to an organized movement on the part of tax officials of a few of the states to procure an amendment to the national bank share tax provision of Section 5219 of the United States Revised Statutes which, if successful, would enable any state to place national and state banks in a class by themselves for the purposes of taxation and impose upon the shareholders in such institutions as high a rate as the state or its subdivisions may deem necessary for their needs.

Section 5219 permits the states, in addition to taxation of the real estate of national banks, to tax the national banks or their shareholders by any one of the four following methods:

1. Taxation of the shares, but not at a greater rate than is assessed upon competitive moneyed capital in the hands of individual citizens (the original provision);
2. Taxation of the dividends as the personal income of the shareholder, but not at a greater rate than is assessed upon net income from other moneyed capital (adopted in 1923);
3. Taxation of the bank upon its net income but at no higher rate than is assessed upon other financial corporations, nor higher than the highest of the rates assessed upon mercantile, manufacturing and business corporations doing business within the state (adopted in 1923);
4. Taxation of the bank according to or measured by its net income, including the entire net income from all sources, with the same limitation upon the rate as in method No. 3 (adopted in 1926). The adoption of any one of the above methods excludes the other three, with an exception which permits a combination of method 2 with methods 3 or 4, so as to permit the additional taxation of dividends received from national banks located within or without the state whenever like combined taxation of domestic or foreign corporations and dividends received therefrom is imposed by any state.

The above movement of the Tax Commissioners grew out of decisions of the Supreme Court of the United States in March, 1927 (see AMERICAN BANKERS ASSOCIATION JOURNAL, April, 1927, page 716), in cases arising in Minnesota and Wisconsin, that Section 5219 was violated by the imposition of the full property rate of taxation upon national bank shares and of a lower rate upon money and credits and other intangibles which the evidence showed were in substantial competition with national banks in the same localities. Following these decisions, the state of Wisconsin abandoned the share tax method and adopted the income alternative permitted by Section 5219, but the tax representatives of the state of Minnesota, in association with the tax representatives from certain other states, started upon a campaign for the amendment of Section 5219 as above indicated.

As shown in the article in the December Journal, the response of the American Bankers Association to this proposition for amendment was the unanimous adoption at the Houston Convention in October, 1927, of the following resolution:

"This association believes that time has proved that the limitation contained in Section 5219, U. S. Revised Statutes, is a wise one and has protected state banks as well as national banks. It is therefore urged that Section 5219 be retained without any modifications. The states of New York, Massachusetts and Wisconsin have substituted a system of taxation of banks on their incomes in lieu of the ad valorem tax on shares with successful results. It is believed a system of income taxation of banks can be successfully adopted in many other states and thereby escape the vexatious questions of discrimination which grow out of taxation of credit investments and intangibles at a lower rate than bank shares."

It is the purpose of the present article to trace briefly the new developments and outline the present situation.

Original Norbeck and Goodwin Bills

EARLY in the first session of the 70th Congress, December 12, 1927, the initial legislative step in carrying out the campaign for amendment was taken by the introduction by Senator Norbeck of South Dakota, Chairman of the Senate Committee on Banking and Currency, of S. 1573 to amend Subdivision (b) of Paragraph 1 of Section 5219 to read as follows:

> In the case of a tax on shares, the taxes imposed shall not be at a greater rate than is assessed upon other moneyed capital used or employed in the business of banking.

This was followed in the House on January 6, 1928, by the introduction by Mr. Goodwin of Minnesota, a member of

the House Banking and Currency Committee, of H. R. 8727 to amend said Subdivision (b) to read:

In the case of a tax on said shares, the taxes imposed shall not be at a greater rate than the rate imposed upon the shares of state banks.

The adoption by Congress of either of these amendments would have swept away the sixty-year old protective provision of Section 5219 that the taxation of the shares "shall not be at a greater rate than assessed upon other moneyed capital in the hands of individual citizens" and placed it within the power of any state to classify national bank shares with state bank shares and tax them to any limit desired to obtain the needed revenue, at the same time favoring by lower taxation or total exemption, large aggregations of moneyed capital in the hands of individuals and corporations employed in a manner to bring such capital into substantial competition with the business of banking. This favoritism now exists in a number of the states, as has been abundantly proved in recent cases before the courts. The policy and purpose underlying the present protective provision of Section 5219 was thus stated by the Supreme Court of the United States shortly after its enactment (People v. Commissioners, 4 Wall. 244) and the language has been quoted and reiterated by the court as late as 1923 (Des Moines National Bank v. Fairweather, 263 U. S.):

The meaning and intent of the lawmakers were that the rate of taxation of the shares should be the same, or not greater, than upon the moneyed capital of the individual citizens, which is subject or liable to taxation. * * * This rule seems to be as effectual a test to prevent unjust discrimination against the shareholders as could well be devised. It embraces a class which constitutes the body politic of the state, who make its laws and provide for its taxes. They cannot be greater than the citizens impose upon themselves.

And in rejecting a similar attempt at amendment in 1923, the Senate Banking and Currency Committee reported:

The objection made to the limitation on state taxation contained in S. 3695 is that it segregates banking capital, whether national, state or private, as a possible target for hostile taxation. Whether this is a real or imaginary danger is a controverted matter. The committee has acted upon the theory that it is wise to assume the reality of the danger and to guard against it.

Hearings Before Senate and House Committees

NO time was lost by the proponents in pressing the Norbeck and Goodwin bills for hearings in Senate and House. On February 23, 24 and 29, hearings were held by the Senate Committee on Banking and Currency on the Norbeck bill, and on May 10 and 11 similar hearings were held by the House Committee on Banking and Currency on the Goodwin bill. These hearings were attended by representatives of Tax Commissioners from a number of states, as well as by many representatives of the banking interests. The record of the Senate hearings covers two hundred and of the House one hundred ninety-four printed pages, and it is obviously impossible in this limited space to make even a summary of the facts and arguments presented by proponents and opponents. The dominant feature of the argument of the proponents was that as twenty-one states either impose a low tax on money and credits and certain intangibles or exempt them entirely, with substitution in some states of an equivalent income tax, and as twenty-four states exempt mortgages from taxation and a number of other states impose simply a nominal registry or recording tax or a lower rate tax upon mortgages, it must follow either that Section 5219 be amended as proposed or, failing amendment, shares of national banks will escape taxation entirely in all states taxing them on an ad valorem basis; this because, under the present construction of Section 5219 by the court, intangibles represented by moneys and credits and mortgage loans not only when employed in a competing business but in the hands of private investors are in competition with the business of national banks.

To the contrary, it was contended that no such dire results would follow; that the share tax provision of Section 5219 is necessary for the protection of national bank shares against excessive taxation which was shown to have existed in numerous instances; that while exemption of mortgages is a wise policy, mortgage exemption alone would not create an unlawful discrimination against national bank shares; that in many states which tax intangibles at a lower rate and impose a reasonable tax on national bank shares, there is no complaint and no litigation, but the share tax is paid without question, and it is only in those states where there is flagrant discrimination by overtaxation of national bank shares at from seven to ten times the intangible tax rate and where there are large aggregations of moneyed capital employed in competing businesses which escape with nominal taxation, that the courts protect the shareholders of national banks against such unfair discrimination; that a similar proposition for amendment, originating likewise in Minnesota, was threshed out by Congress in 1923 and denied, at which time Congress amended Section 5219 by granting to the states the income alternative (Methods Nos. 2 and 3 above) which, in 1926, was still further amended by adding the excise alternative (Method No. 4); that in this situation the states have ample remedy for adequate taxation in their own hands and should not come to Congress; that excise taxation of national banks according to or measured by net income has proved to be practicable and workable in New York and Massachusetts, and income taxation of national banks has been adopted in Wisconsin; that excise taxation of national banks as provided in the fourth alternative of Section 5219 can be adopted by any state which desires to continue its low-rate taxation of intangibles or exemption of mortgages, under which method a system of taxation measured by the income of the bank is substituted for taxation upon the shares, and at the same time the principle of placing national bank shares in a large class of taxpayers is preserved, the banks being shifted from the class of individual citizens who hold moneyed capital to the class of corporations named in the Act; that such excise system of taxation of national banks is fairer and more satisfactory to the banks, to the tax authorities and the public—fairer to the banks because all banks have not the same earning capacity and it is based upon ability to pay; more satisfactory to the tax authorities because they find it difficult to tax shares on the same basis as other competing moneyed capital, and more satisfactory from the standpoint of the public because of the tendency of overtaxed banks to do business on a minimum of capital and thus weaken their soundness.

The first session of the 70th Congress adjourned without any report of the Norbeck and Goodwin bills by either Committee.

New Norbeck and Goodwin Bills

APPARENTLY the original proposition to place banks in a class by themselves by amendment of Section 5219 as provided in the original Norbeck and Goodwin bills has been abandoned, for on May 17, 1928, Senator Norbeck introduced in the Senate and on May 24, 1928, Representative Goodwin introduced in the House S. 4486 and H. R. 14001, respectively, identical bills sponsored by representatives of the Tax Commissioners, which read:

"A BILL

"To amend Section 5219 of the Revised Statutes, as amended.

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Subdivision (b) of paragraph 1 of Section 5219 of the Revised Statutes, as amended, is amended to read as follows:

"'In the case of a tax on shares, the tax imposed shall not be at a greater rate than that assessed within the taxing district of the bank's location upon real estate used for mercantile or like business purposes; nor at a higher rate than is assessed within such district upon the shares of corporations engaged in the business of receiving money on deposit, subject to check; nor at a higher rate than upon the capital of individuals engaged in such district in the business of receiving money on deposit, subject to check.'

"Section 2. That paragraph 4 of said section is amended to read as follows:

"'The provisions of Section 5219 of the Revised Statutes of the United States as heretofore in force shall not prevent the legalizing, ratifying or confirming by the states of any tax heretofore paid, levied or assessed upon the shares of national banks, or the collecting thereof, to the extent that such tax would be valid under this section as hereby amended.'"

The amendment provided by the first section of this bill would give no better protection against unjust discrimination and overtaxation of national bank shares than the original bills. The restriction that the rate shall not be higher than upon the shares of corporations or the capital of individuals receiving money on deposit subject to check would still leave it open to the states and their tax officials to favor, as in the past, an enormous amount of moneyed capital in the hands of finance and other corporations and individuals which is loaned and in-

(*Continued on page* 262)

What Is the Proper Balance On Which to Compute Interest?

By W. R. MOREHOUSE
Vice President, Security Trust & Savings Bank, Los Angeles

The Principal Methods Used to Determine the Proper Amount on Which to Compute. Six Methods Favorable to the Depositor and Seven Methods Favorable to the Bank. How Well Do Groups of Banks Keep Their Interest Agreements? How to Reduce Loss.

To Reduce Interest

IN this, the last of three articles on interest on savings accounts, W. R. Morehouse, the author, gives the principal methods for determining the proper balance on which to compute interest, grouping those that are favorable to the bank and those favorable to the depositor.

And he recommends that before a bank reduces the rate of interest it pays on deposits that consideration be given to the revision of the method of computation.

ONE of the attractive features of a savings account is compound interest. Banks use it as an inducement for savers to build up their balances over a period of years. The reports which I received show that a majority of banks are compounding their interest semi-annually. Pressed on all sides by competition and the insistent demand of depositors for more liberal terms of paying interest, certain banks have yielded and are compounding interest quarterly. Only recently one of the largest savings banks in New York discontinued compounding interest semi-annually in favor of compounding it quarterly, and when a large, old established representative savings bank makes such a move it is apt to go a long way toward inducing other banks in the same general locality to follow its example. This bank is computing interest on very liberal terms. What is taking place in New York in this respect is taking place in other savings centers.

The Loss Is Small

PRACTICALLY every bank reporting the change to a quarterly basis concedes that its principal reason for making it is in order better to meet competition. Evidently banks have counted the cost in dollars and cents and the additional work, and feel that as a talking point, "interest compounded quarterly" outweighs the additional cost. Other banks claim for the quarterly method that it lines up interest payment by banks with interest payment on stocks, bonds and other investments which are usually paid quarterly. After all, the difference between compounding interest semi-annually and quarterly is not nearly as large as most bankers have assumed without taking time to ascertain the exact difference. On one million dollars of savings deposits the increased cost of compounding quarterly over semi-annually at 4 per cent is only $204 a year. And, as some bankers claim, as a talking point in attracting savings it is worth several times the additional amount.

A few banks are now compounding interest monthly—which is the end of the trail for compounding interest on savings.

Apparently certain banks that are now compounding interest semi-annually are about ready to begin computing interest on some kind of quarterly basis, but not to compound it quarterly. Other banks are willing to compute, credit and even pay quarterly, but not to compound interest oftener than every six months. At present, however, a majority of our banks are still compounding interest semi-annually. Whether or not the small additional cost of only $204 a year for each million dollars of deposits at 4 per cent interest will win them to compounding quarterly instead of semi-annually, only time will tell. As a talking point it is very valuable. Unless competition eases up, it is probable that in five years the number of banks that compound interest quarterly will dominate the field.

How the Proper Amount on Which to Compute Interest Is Determined

ONE of the questions which I asked and which banks were very free to answer in full, referred to the method which banks used in determining the proper balance on which to compute interest. Although there are nearly as many methods as finger prints, I am listing the principal ones, starting with those that appear to favor the depositor the most.

(1) Interest computed from date of deposit to date of withdrawal, either compounded monthly, quarterly or semi-annually. Interest computed monthly.

(2) Interest from date of deposit to the first day of the month in which withdrawn, either compounded monthly, quarterly or semi-annually. Interest computed monthly.

(3) Interest from date on the daily balance, interest credited monthly for all full calendar months and either compounded monthly, quarterly or semi-annually.

(4) Interest computed, credited and compounded monthly on the minimum monthly balance.

(5) Interest computed on the minimum monthly balance but credited and compounded either quarterly or semi-annually.

(6) Interest from date of deposit, if made before the fifteenth and on the minimum monthly balance thereafter; computed, credited and compounded quarterly.

From a perusal of the reports, I found that there were certain methods which were more favorable to the bank than to the depositor:

(1) Interest computed on the minimum annual balance, compounded annually.

(2) Interest computed on the minimum semi-annual balance, compounded semi-annually.

(3) Interest computed on the minimum quarterly balance, compounded semi-annually.

(4) (a.) Interest computed on deposits made during the first five days of either a quarterly or semi-annual period. Interest compounded either quarterly or semi-annually. (b.) During the first ten days of the period. (c.) During the first fifteen days of the period. No interest on deposits during the term made after the above mentioned dates.

(5) Interest computed, credited and compounded quarterly on the minimum quarterly balance. No interest on deposits made after the—

(a) first five days of any quarter—
(b) first ten days of any quarter—or
(c) first fifteen days of any quarter.

(6) Interest computed, credited and compounded semi-annually on the balance at the beginning of either a quarterly or semi-

annual period after there has been deducted therefrom all checks drawn during the period. Interest credited on deposits made during the period down to the close of the period.

(7) Interest computed, credited and compounded semi-annually on the balance after deducting all checks drawn from last deposits made.

A comparison of interest paid on six actual accounts as between six different quarterly methods and six different semi-annual methods bore out the claim of bankers that on an average, interest costs are higher under the quarterly method than under the average semi-annual system. Of course, there are exceptions, but as a general average the quarterly methods favor depositors the most.

Six accounts were used as a test. Interest on the six accounts was computed

Which promises most speed?

by six different quarterly methods and six different semi-annual methods with the following results:

The aggregate amount of interest earned on the six accounts by six quarterly methods was $2,964.76, or an average of $494.12 per account. The aggregate amount of interest earned on the same accounts by six different semi-annual methods was $2,628.46, or an average of $436.08.

This comparison favors a semi-annual system if interest costs are the principal consideration. If making savings accounts attractive is the principal consideration, then quarterly methods offer the most.

Interest Wise

PRIOR to the financing of the World War the average savings depositor knew practically nothing about investments, but now, after nearly ten years, millions of them have become "investment wise."

Becoming "investment wise," they have also become "interest wise." The often repeated statement ascribed to bankers, that the average savings depositor does not know how much interest he should receive, does not apply today to millions of depositors. Instead of trusting entirely to their banks to credit their accounts with whatever interest banks decide is due, an ever increasing number of depositors are taking time to recheck the interest to see if it is correct.

The reports disclose that in the opinion of bankers an average of 25 per cent of savings depositors understand the principal points used in determining their interest. This 25 per cent is referred to in these reports as the more intelligent class. Of the remaining 75 per cent it is claimed that they have a better understanding of the terms governing their accounts than they did five years ago.

Rules Governing Accounts

EVERY bank was unanimously in favor of printing the rules governing accounts in depositors' pass books in order that every depositor might have a copy. But as rules may later change, it was also recommended that only the more permanent features appear in the pass books. For example, the printed rules should not state the rate and, of course, with mutual savings banks where the rate is subject to change according to earnings, this would be impracticable.

A suggestion of more than ordinary importance was that at the time rules are being printed the date should be included, thereby establishing beyond any doubt when the rules as printed were in force.

If dated in the pass book at the time of printing the date establishes a definite time when the rules as printed were operative. According to the reports, a majority of banks use several mediums for informing their customers as to their rules. Either a general booklet on savings with a section devoted to rules is distributed, or a folder giving the rules exclusively is used. A few banks prefer posters placed in the bank's lobby as the most effective method.

It is customary for banks to advise their depositors of any change in any rule that affects the customers. In doing this, a majority of banks favored posters placed in the bank's lobby in preference to other mediums. Some banks used both posters and the newspapers. In a number of cases, the by-laws of certain banks require the use of the press. A few banks follow the plan of notifying their customers through the mails. In a majority of cases, however, posters placed in the bank's lobby were used.

How Well Do Groups of Banks Keep Their Interest Agreements?

IF certain bankers were asked, "How well do groups of banks keep their interest agreements?" they would answer about as follows: "Theoretically, bankers keep their group agreements, but practically, certain parties thereto

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The 54th Annual Convention

Economic Conditions Create Unusual Interest in the Meeting. Program Prepared to Meet the Wide Range of Important Bank Problems Now Pressing for Solution. Bankers Convene in City Where Much of American Financial History Had Its Beginning.

BANKING history in the United States holds out the promise of repeating itself in Philadelphia, where the fifty-fourth annual convention of the American Bankers Association will open on Oct. 1.

Philadelphia was the scene of much of the discussion, during the early days of a newborn nation, which produced the fundamentals of the country's banking structure. Today problems of almost comparable importance confront the bankers of the country who will assemble there.

Dean H. L. Russell, University of Wisconsin, College of Agriculture

Pioneer bankers of the United States faced the task of bringing order out of the economic chaos which followed the breaking away from Great Britain. Theirs was the task of building the foundations for a young and vigorous republic. Today the bankers of the United States return to Philadelphia with international responsibilities upon their shoulders in addition to complex home problems.

Fathered by the rush of modern economic development, a new era in American banking is coming into being. New credit conditions have given rise to new problems. The practical completion of worldwide currency stabilization, the most vital step away from post-war disorders, has placed world finance on another level than the plane of the past decade. Banking is moving forward, and the program for the convention at Philadelphia will furnish the basis for much of the banking thought of the next year.

Three General Sessions

GENERAL sessions of the convention will be held at the Academy of Music. The first general session will be called to order by President Thomas R. Preston, president of the Hamilton National Bank of Chattanooga, Tenn., at 10.30 a. m. on Tuesday, Oct. 2. At that time Mr. Preston will deliver the president's annual address to the Association.

The principal speaker at the first general session will be Dr. Edwin A. Alderman, president of the University of Virginia. His topic will be "The Strength of Democracy." Dr. Alderman is internationally known not only as an educator, but as a thinker in the realm of political economy. His address may be looked for as a vision of the forward moving forces of the nation.

James A. Bacigalupi, president of the Bank of Italy of San Francisco, will be the principal speaker at the second general session of the convention on Wednesday, Oct. 3. Connected, early in its career, with one of the most widely known American banking institutions, his reputation as a banker is nationwide. He is expected to talk on some of the phases of multiple banking which have become one of the focal points of interest in bank development.

The final general session will be held on Thursday, Oct. 4, at the same hour, with Harry Luman Russell, Dean of the College of Agriculture of the University of Wisconsin, as the principal speaker. He will discuss some of the agricultural problems which have come to occupy the thoughts of the bankers of the country as well as those whose interests are directly connected with the farm. Dean Russell, who is a member of the Advisory Council of the Agricultural Commission of the Association, is one of the country's authorities on agriculture, and his address comes at a time when the whole nation is seeking for a solution of some of the difficulties of its farmers.

The Bellevue-Stratford Hotel will be the convention headquarters, where there will be meetings on call of the chairmen of the Protective Committee, the Committee on Reorganization of the American Bankers Association, Resolutions Committee, Clearinghouse Section Executive Committee, Savings Bank Division Executive Committee, Finance Committee and Administrative Committee. The meetings of the divisions and sections of the Association will be held in the ballroom of the hotel, with the exception of the State Secretaries Section, which meets in the South Garden of the hotel.

The Clearinghouse Section

THE Clearinghouse Section will be the first of the Divisions of the Association to meet and will be called to order by President O. Howard Wolfe, cashier of the Philadelphia National Bank of Philadelphia, at 9.30 a. m. on Monday, Oct. 1.

Dr. E. A. Alderman, President, University of Virginia

After the address of the president the Section will hear Governor Roy A. Young of the Federal Reserve Board, and then Chairman Louis T. McFadden of the Committee on Banking and Currency of the House of Representatives, whose topic will be "Dynamic Banking."

There will follow a brief discussion of problems of special interest to clearinghouse banks. A. J. Veigel, president of the National Association of Supervisors of State Banks, will discuss "Interest Rates on Deposits"; Dan V. Stephens, president of the Fremont State Bank, Fremont, Neb., will discuss "The Experiences of a Regional Clearinghouse," and L. A. Andrew, Bank Commissioner of Iowa, will give a short talk on "Standard Report Forms from Bank Presidents to Their Directors."

Savings Bank Division

THE Savings Bank Division will be called to order by President George L. Woodward, treasurer of the South Norwalk Savings Bank, South Norwalk, Conn., at 2.30 p. m. on Monday, Oct. 1. There will be three speakers to address the meeting after the opening address by the president.

Harold J. Stonier, Educational Director of the American Institute of Banking, will talk on "Answering Administration Problems"; Charles H. Mylander, secretary of the Ohio Bankers Association, will discuss "The Taxation of Banks Compared with the Taxation of Competing Moneyed Capital," and "A Digest of Methods of Computing Interest on Savings in Use Throughout the United States" will be presented by Paul A. Pflueger, Chairman of the Committee on Bank Facilities and Service and vice-president of the United Security Bank and Trust Company of San Francisco.

State Bank Division

THE State Bank Division will be called to order by President M. H. Malott, president Citizens State Bank, Abilene, Kan., at 2.30 p. m. Tuesday, Oct. 2. The principal addresses will be made by R. S. Hecht, president of the Hibernia Bank and Trust Company of New Orleans, who will speak on "Need for the Preservation of the Unit Banking System," and Leonard P. Ayres, vice-president of the Cleveland Trust Company of Cleveland, on "New Investment Program for a New Economic Era."

Brief discussions will be led by M. Plin Beebe, president of the Bank of Ipswich, Ipswich, S. D., on "Inequality of State Bank Reserve Requirements," by Paul P. Brown, secretary North Carolina Bankers Association, on "Installation of Service Charges on Unprofitable Checking Accounts," and by S. J. High, president Peoples Bank and Trust Company of Tupelo, Miss., on "Placing the Farmer on the Payroll."

State Secretaries Section

THE State Secretaries Section will meet in the South Garden of the Bellevue-Stratford Hotel at 2 p. m. on Wednesday, Oct. 3. President Wm. A. Philpott, Jr., will preside.

Subjects for discussion will be introduced by the chairmen of the research committees of the Section in the following order: "Better Banking Methods," H. G. Huddelston, secretary of the Tennessee Bankers Association; "County Organization and Credit Bureaus," Haynes McFadden, secretary Georgia Bankers Association; "Bank Operation Costs and Income," Paul P. Brown, secretary North Carolina Bankers Association; "State and National Bank Taxation," F. P. Fellows, secretary Minnesota Bankers Association; "Bank Banditry," Eugene P. Gum, secretary Oklahoma Bankers Association; "Public Banking Education," C. F. Zimmerman, secretary Pennsylvania Bankers Association, and "The Section's Business," public discussion.

National Bank Division

THE National Bank Division will be called to order by President E. A. Onthank, president of the Safety Fund National Bank of Fitchburg, Mass., at 2.30 p. m. Wednesday, Oct. 3. There are three speakers on its program.

The first address will be made by Comptroller of the Currency J. W. McIntosh; Philip Nichols of Boston, tax counsel of the Massachusetts National Bank Association, will discuss "State Taxation of National Banks," and Alexander Wall, secretary and treasurer Robert Morris Associates, Lansdowne, Pa., will talk on "The Productive Bank Credit Department."

Trust Company Division

THE Trust Company Division will be called to order by President Walter S. McLucas, chairman of the board of

James A. Bacigalupi, President Bank of Italy

the Commerce Trust Company of Kansis City, Mo., at 8.30 p. m. on Wednesday, Oct. 3. William P. Gest, chairman of the board of the Fidelity-Philadelphia Trust Company of Philadelphia, will deliver a welcoming address.

There are three speakers on the program for the Division meeting; Eugene M. Stevens, president of the Illinois Merchants Trust Company of Chicago, will speak on "The Responsibilities of Trust Management"; Frank C. Mortimer, vice-president of the Citizens National Trust and Savings Bank of Los Angeles, on "Clarifying Trust Functions in the Public Mind," which includes a discussion of the investment trust; and Gilbert T. Stephenson, vice-president of the Wachovia Bank and Trust Company of Raleigh, N. C., on "Modern Tendencies in Wills."

Entertainments Arranged

UNUSUALLY effective arrangements for entertaining their guests have been prepared by the bankers of Philadelphia. Opportunities will be offered to those attending the convention to visit the many points of interest in and about the city whose history is especially rich in events having to do with the beginnings of American banking.

Each day of the convention there will be open in the Bellevue-Stratford Hotel joint headquarters for state secretaries having no separate headquarters, booths for the hotel committee and information bureau, a bank library exhibit, registration headquarters, the office of the general association, a golf committee desk, a post office and a ticket validation desk.

After the close of the convention, on Friday, Oct. 5, a golf tournament will be held at the Philmont Country Club. A number of prizes will be offered, including the St. Louis Cup for the lowest gross score, donated by the bankers of St. Louis in 1919. Frank M. Hardt, vice-president of the Fidelity-Philadelphia Trust Company, is chairman of the golf committee, and has arranged for golf playing privileges for delegates at twenty-seven clubs in and around Philadelphia.

Entertainment Program

DETAILS of the entertainment program offer a wide variety of hospitality to the delegates, starting with a concert in the Clover Room of the Bellevue-Stratford Hotel on Sept. 30 for arriving delegates.

On Monday afternoon, Oct. 1, there will be a fashion show for women only in the ballroom of the Penn Athletic Club.

On Monday, Tuesday, Wednesday and Thursday afternoons there will be sightseeing tours to the points of interest in and around Philadelphia.

On Monday evening there will be tickets available for any theater in Philadelphia.

Tuesday evening there will be a smoker at the Arena in West Philadelphia.

On Thursday afternoon there will be a review of the delegates at the Philadelphia Navy Yard.

Thursday evening will be the occasion of the grand ball at the Bellevue-Stratford Hotel.

Extensive arrangements are being made by bankers in different sections of the country for special trains to bring delegates to the convention. A number of specials from the West are to connect with the Falltonic Special at Chicago.

The Falltonic Special will leave Chicago about 11.55 p. m., Friday, Sept. 28, via Michigan Central and Lehigh Valley roads, with a stopover of one day at Detroit. Leaving Detroit about 5 p. m. Sept. 29 this train will stop for a special night illumination of Niagara Falls and arrive at Philadelphia Sunday morning, Sept. 30.

Michigan delegates will join the Falltonic Special at Detroit. Special trains for California bankers will leave San Francisco and Los Angeles on Sept. 25, meeting at Ogden, Utah, on Sept. 26. Special sections are planned to leave Seattle, Tacoma, Portland and Spokane, meeting the California specials at Ogden.

The Stage Banker

By HOWARD WHIPPLE
Vice-President, United Security Bank and Trust Company, Los Angeles, California

Glassy Eyes and Stony Stares Traditional Banker's Make-up. Yet Some Bankers Are Too Generous to Be Successful and Are Forced to Turn to Other Fields of Business. Exceptions Not the Rule Fix Themselves in the Public Mind. The Reason Why.

THE stage banker is as fixed a type as the Irish comedian or the London dude. He is invariably portrayed as a cold and heartless individual with a face expressionless as a mask, with a deameanor haughty and overbearing.

This unattractive conception has been repeated so often on the stage and screen that it is no wonder that the average man of the street unthinkingly accepts it as his own. Though he may have had little or no contact with bankers as individuals he is prone to accuse them as a class of harboring none but selfish motives. If he is radically minded, he regards the banker as a useless, predatory member of society; if he is a depositor, the banker is a potential profiteer with his funds; if a borrower, the banker is an habitual negativist—usually for personal reasons.

The banker himself has become accustomed to such characterizations. He laughs at their absurdities. He reviews the personal attributes of the bankers he knows and finds only one or two, if any, who even remotely approach the standard of the stage. He knows there is no standard, that there are no mental, moral or physical characteristics common to bankers as a class.

No Flinty Molochs

INSTEAD a cross section of the bankers of the country would reveal just as many variants as a cross section of any other occupation. Men do not go into banking because they have a flair for money lending or any other major banking activity. They go into it for the same reasons and with the same personal qualities and attitude toward life as actuate and distinguish the merchant, the doctor or the tinsmith. They are as selfish or as generous, as cold or as warm hearted, as imaginative or as unimaginative as the average of their fellows.

These are qualities of temperament and temperament does not change. The qualities of temperament with which the banker is endowed at birth remain with him to the very end. The practice of his occupation does not atrophy his good qualities or enlarge his bad ones. Banking does not make a man cold and calculating; he has to be born that way to be so. If, on the other hand, he is born with generous, kindly instincts, he will never be otherwise. I have known a number of bankers who were obliged to change their occupation because they were so generously inclined they could not decline improper applications for credit when their sympathies were once aroused. Banking failed to turn them into the flinty molochs of common repute.

Grin and Bear It

HE is a rare banker who knows one of his ilk with a glass eye, says Mr. Whipple, but bankers must endure as they have always done the stage and story version of the profession which displays only the iron heart. There are those who paint the banker in black for their own ends but inquiry into the legend of the stage banker leads to a good philosophy of the banker as he is, and as he should be.

It does, however, leave its mark upon those who are long engaged in it just as every other occupation moulds to some degree the habits and modes of thought of those who follow single tracks for some length of time. But these are acquired habits and knowledge, like education, and may become part of the mental equipment of any individual. They are not inherent as generosity, selfishness, cowardice and the like are inherent. For example, caution is no more a special distinction of bankers than gullibility is a failing of all doctors. Bankers acquire their caution because experience teaches them what to avoid; when they have had their fingers burned often enough by contact with losses through bad loans, they become cautious in handling succeeding applications for credit.

Doctors acquire their gullibility through the very nature of their profession; they expect their patients to tell them the truth for the very natural and self evident reason that it is for the patient's best interest that the doctor should have accurate knowledge of all the facts. Yet because of this expectancy of absolute truth from their patients, the habit of believing extends to other activities and doctors become the proverbial targets and victims of salesmen of questionable securities. But not all doctors are gullible nor all bankers cautious in spite of the liberal education long practice of their occupation provides.

On what then is this curious conception of bankers based? As a class they

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Is There a Crisis Now?

"THESE are the times that try men's souls. The summer soldier and the sunshine patriot will, in this crisis, shrink from the service of their country; but he that stands it now, deserves the love and thanks of man and woman.

"Tyranny, like hell, is not easily conquered; yet we have this consolation with us, that the harder the conflict the more glorious the triumph. What we obtain too cheap, we esteem too lightly; it is dearness only that gives every thing its value.

"Heaven knows how to put a proper price upon its goods; and it would be strange indeed if so celestial an article as freedom should not be highly rated."

What Thomas Paine wrote in the foregoing in the closing days of the year 1776 applies with equal force to American life in 1928, for these too are times that should try men's souls, and these too are times when there is danger! Over the heads of generations great men sometimes call to their successors.

The picture of our present danger is confused by reason of the fact that science, industry, philanthropy are on broader, more effective planes than ever before, but the unparalleled constructive work of the nation should not blind us to the fact that while there is a marvelous upbuilding going on there is also in progress a dangerous corroding process!

The corroding process affects banking, for it affects property of all kinds—eats away values, adds to the costs of protection, renders life unsafe.

With something akin to the fatalism of a Chinaman, we read the reports of the daily slaughter of men and women in streets and highways, accidents, and though this amounts to over 26,618 persons a year killed and 798,700 injured, we still speed on! In the famous Boston Massacre five were killed; at the Battle of Lexington forty-nine killed!

Compare the tax upon our national resources by fraud, forgery, embezzlement, graft and banditry with the taxes over which the American colonists went to war!

The tyranny of a king over the people of this country is now a mere bit of reading matter, yet both in the money involved, in the lives that are lost, in the actual misery that is spread over the land we are confronted with such a condition as makes Paine's words clearly and directly applicable today and now.

Man cannot live unto himself alone, satisfied to do a good job in the bank, and holding aloof from his civic and patriotic duties.

BY JAMES E. CLARK

Foreign News and America's Business

By DR. JULIUS KLEIN
Director, United States Bureau of Foreign and Domestic Commerce

Translating News Items of the World Into Dollars and Cents. How the Coffee Crop in Colombia or the Tourist Traffic and Trade in France Affect the Average Business Man or Banker In This Country. The Most Important Things to Follow Daily

THE plot thickens—that is the international business "plot." As the economic rehabilitation of Europe gains momentum, details crowd upon details with each new turn of the period of convalescence throughout the world of commerce and industry. Perhaps we are particularly conscious of the multitude of these world-wide business episodes because our means of communication are so vastly more efficient, almost magically ubiquitous these days.

The sphere of international trading and finance has certainly become much more closely integrated. Whatever the reasons may be, there can be no doubt that our well known Tired Business Man as he unfolds his evening paper is confronted with a barrage of headlines bristling with commercial items which he suspects ought to be more intelligible to him than they are: cartels, currency stabilization, contingent systems, raw material restrictions, valorization, and so on. And in his refuge behind the news sheet he picks up snatches of conversation of the members of the family about the afternoon's meeting of some current events class on Mussolini's financial woes, or Kemal Pasha's concessions, or the new Chinese treaty, or what not.

What Should He Observe?

IT is no wonder that the poor man is bewildered as to just what he should know about events beyond our borders, upon what he, an average banker or merchant or manufacturer—not a worldly wise exporter or a mighty Wall Street internationalist—really ought to be informed. Must he go about with pockets bulging with strange "annuaires" or "jahrbücher" or munch his breakfast over the Statistical Abstract? Just what should he observe as he scans the distant horizon, not as a matter of cultural advancement but as a dollars-and-cents precaution in connection with his own business? On what should he act?

In the first place, this will obviously depend upon what that business is. If he is a manufacturer and a portion of his output finds its market overseas or in American industries which in turn are dependent upon export, he should naturally be well posted upon the factors affecting the buying power of the foreign consumers involved in these trades. This may seem at first glance to be an appallingly formidable task, but upon closer analysis it is evident that data for current observations of this type are not difficult to obtain.

A large number of our favorite foreign markets, especially in Latin America and the Far East, are dependent upon one or two major commodities, the trade status of which is readily available. Cuba lives by sugar, Yucatan by sisal, Colombia by coffee and petroleum, Brazil by coffee, Chile by nitrates, Australia by wheat and wool, Japan by silk, and so on.


Ewing Galloway, N. Y.

The Tourist Crop—Paris

Trouble Insurance

IT may seem superfluous to mention such a trite suggestion, but a disconcertingly large percentage of our smaller bankers and merchants are vitally dependent upon just such information without in the least realizing it. They sell to others who sell to Cuba, or Argentina, or Japan, and when the bottom drops out of the world's wool market or sugar trade they wonder why it should be of any concern to them.

More than one New England manufacturer of machinery and other factory accessories has suffered months of puzzled anxieties because his customers in the shoe and textile lines have failed him. All he knows is that there has been a serious collapse in those industries. But a little closer advance observation on his part as to their markets and the care—or lack of it—with which they were following up grave changes in the world demand for these commodities, the repercussions of style changes, of newly established competing industries in once profitable markets and other elements as well, would have been an invaluable insurance against difficulties.

If these factors had been carefully observed for some time past, many of those dependent upon the prosperity of the shoe and textile trades would have been forewarned and could have undertaken the necessary alterations in selling arrangements. Indeed there are numerous specific instances of prosperous plants which owe their survival of the recent storms in this field to just such foresight and keen observation of the trend in foreign developments thus affecting their future.

Looking Months Ahead

THERE are few axioms which have been more clearly and emphatically vindicated during this post-war readjustment than the one which insists that the shrewdest merchant is he who follows his merchandise with solicitous eye as it passes in successive processes down the long line of successive consumers to the ultimate individual in the chain. Indeed this has been one of the serious

weaknesses of many firms in distress in certain lines today; their lack of interest in what is going on beyond the ranks of their immediate contacts in trade—the failure to analyze the circumstances which maintain those contacts as good "prospects," which make or mar their buying power.

Often the factors that determine the trade outlook of any given area can be approximated several months in advance. This, of course, is elementary in the development of our domestic commerce where credit and general trading conditions are carefully observed by far-sighted sales managers. But all too frequently our business community is inclined to ignore the existence of such factors, for example, as crops and the weather, outside our boundaries. The outlook in the Baltic countries can be gaged as a rule early each year upon the severity of the winter, which determines the possibility of exploiting their major resources, particularly pulp and lumber, and the promptness with which their ports are cleared of ice for spring traffic.

The probabilities in rates of exchange in Colombia can often be gaged several months in advance by the variations in the depth of the Magdalena River, the main artery of traffic in that country, whose availability for navigation determines the movement of the coffee crop. If this be delayed and congestion ensues, exchanges and consequently buying power are certain to be impaired for long periods. Similarly the size of the rice crop in many parts of Southeastern Asia is directly contingent upon the quantities of water available; the depths of certain major streams at stated intervals, therefore, serve in many instances as indicators of the prospects for orders several months later.

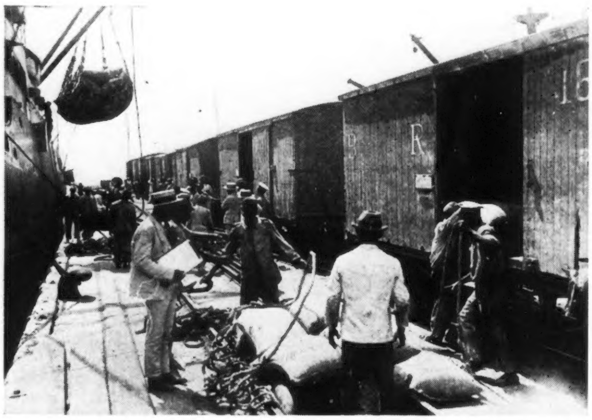
War Expands Trade

CROP prospects in predominantly agricultural countries, such as Argentina, Australia, and India can be readily determined and are invariably observed by shrewd merchants whose trade may ultimately depend upon the prosperity of those regions.

There are, of course, other determinants of buying power, which likewise can be checked without much difficulty. In France and Switzerland, for example, one of the major elements is the trend of tourists' traffic, which is probably the largest single "crop" of those and other Continental countries. Indicators of its prospects are available in many items—the number of passports granted during April and May by our State Department, the business in travelers' cheques and letters of credit, the activities of tourists and steamship agencies, etc.

It would scarcely seem necessary to comment upon the necessity of closely watching any areas of civil disturbances. But the point in this connection, which is most frequently overlooked by our merchants and bankers whose trade or financial operations concern any given trouble zone, is that such dubious territory does not necessarily merit a complete quarantine. Curious as it might seem, wars do not destroy trade; at times they even expand it considerably. Then, too, much depends upon the type of economic and social advancement in the afflicted country. In spite of years of intermittent turmoil our exports to Mexico have increased from an average of about $53,000,000 during 1910-14 to more than $109,000,000 last year. Even with liberal allowance for price changes during that period this represents a far from despairing situation.

An even more emphatic advance has been registered in the case of tumultuous China, to which our exports increased from $21,600,000 to approximately $84,000,000 during the same time. In each case, the very backwardness of the country—the lack of roads, railways, and highly integrated economic and social fabric—served as an insulator of the various troubled zones. Business went on very much as usual in areas not far distant from the actual battle front.



Ewing Galloway, N. Y.

Coffee Coming From Colombia

And so it is that your small merchant or manufacturer need not feel alarm if he suddenly discovers that one of his best American customers is much involved in Mexican commerce or has large commitments due him from Chinese debtors. Scores, even hundreds, of individual cases could be cited of substantial and continuing profits earned without interruption by shrewd operations in these and other troubled areas.

Aspects of the East

CERTAIN changes going on in our trade in those great economically "new" areas of Latin America and the Far East are significant to every sober-minded and far-visioned American business man whether he exports on his own account or not. With reference to the Orient it is worth noting that this is the part of the world with which our trade is now advancing most rapidly, the one which seems to be attracting the major portion of our more aggressive sales efforts. China's purchasing power influences much of our Asiatic trade outlook. The recovery of that country affects not only our sales directly to her but those to Japan, to Indo-China, Siam and even the adjoining islands. Many of these neighbors of hers are vitally dependent upon her demands for their various products and close observation of the readjustments that are now going on in that country, notably the treaties being drawn with the Western powers as to her tariff autonomy and other commercial questions, is of paramount importance.

Another aspect of the East which is of prime significance is the spread of industrialization. This has wrought havoc with several European industries, notably textiles, and to a lesser extent certain lines of iron and steel, thereby reacting upon our sales to England in particular. It has, however, also created certain new opportunities in the Orient which far-sighted American manufacturers have promptly capitalized, notably for machinery and other factory equipment and also for scores of cheap novelties—antiquated types of phonographs, radio models, as well as such semi-luxury items as dried and canned fruits, fancy footwear, motion picture films, and cheap automobiles—for all of which new markets have arisen with the increasing wage scales of these newly employed Asiatic factory workers.

Room for Queries

SIMILAR developments have taken place in Latin America which can also be readily followed. I have already alluded to the factor of the "one-crop" indicators of buying power in many of these southern markets. A new element which is coming forward as a significant stimulator of Latin-American trade prospects is the spread of highway construction, which has meant not simply the opening up of new resources, of markets for road building machinery, concrete, and similar products, but has also been a notable contributor to tranquillity within these hitherto frequently disturbed communities. With the breaking down of isolation and decentralization by the spread of highway networks, civil disorders have become much less frequent and business prospects thus expanded.

It would seem almost impertinent to mention to bankers the necessity of observing closely the currents of our foreign investments. And yet judging from the types of queries coming literally by hundreds every day to the Department of Commerce from small investors throughout the country as to the general economic status of various countries, provinces, or municipalities, whose is-

(Continued on page 256)

This Year's Decline in Bonds

By CHARLES F. SPEARE

Review of the Situation in Investment Securities Caused by Over-Supply of New Issues and the Unexpected Rise in Money Rates. Average Loss Represents a Major Reaction. Shrinkage in Values During the Past Six Months. What of the Future?

THE first six months of 1928 witnessed the greatest speculation in stocks and the highest prices for industrial shares ever known. In this period occurred the peak of the bond price average for a quarter of a century. From the end of June to the latter part of August stocks recovered a substantial portion of the loss occurring early in June. Bonds, however, fell from week to week until they reached the lowest average in two years and registered the sharpest slump since 1920, experiencing what is described as a "major decline."

In a recent article in the JOURNAL I mentioned some of the early phases of this movement. Subsequently, these were much intensified. The advance in the Federal Reserve rate of discount in July, from 4½ to 5 per cent, causing a relative stiffening in rates for time and call money, commercial paper and acceptances, created conditions, or were the effect of conditions, that compelled extensive liquidation of securities as a corrective measure.

The bond market in the first week of July was nearer to being in a panic than was the stock market a month previously. It was always possible to sell speculative issues at a price but there were times during the first part of the summer when no bids could be obtained on the choicest mortgages and when great difficulty was met with in disposing of U. S. Government issues and municipal bonds.

Bonds vs. Stocks

SAGGING values for new securities are analyzed as rather the result of price readjustments to tempt buyers than as the consequence of extensive liquidation. A dispassionate picture of what the course of money rates has done to the bond market since the first of the year with a glimpse of the future which forecasts a trend away from refunding and in the direction of more short-term corporation paper for the next six months or a year.

The Price Spread

FIGURES frequently tell a clearer story than text of what has happened in a particular situation. Therefore, a series of tables has been prepared giving the range of prices of various classes of bonds this year and emphasizing the spread between the initial offering figure from January to June, and the quotation last month. It will be observed that this spread increased between those bonds brought out in January and the April and May issues. In other words, the January offerings were nearer to the market of that day than were those afterwards produced. Latterly they have been coming closer together.

The loans listed below are only a few of those advertised but are believed to be typical of their period. The original price and that reached later, some of the lows being made in July and others in the latter part of August, are appended:

January

Title	Rate	Initial Price	Low Price
C. C. C. & St. Louis R. R.	4½	100	97
National Dairy Products	5¼	99	96
Buenos Aires	6	98½	96
Chili Gov't	6	93½	93½
Greek Gov't	6	91	84⅛

February

Title	Rate	Initial Price	Low Price
Ohio Power	4½	96	91¾
Pacific Gas & Elec	4½	99	95¾
Penn. Water & Power	4½	99	96½
Rochester Gas & Elec	4½	99½	99½
Certain-Teed Products	5½	98½	89½
Firestone Cotton Mills	5	97	90
Argentine Government	5½	97	94¾
City Brisbane, (Australia	5	94½	90⅞
Province Buenos Aires	6	96½	93
City Rio Janeiro	6½	97	93½

March

Title	Rate	Initial Price	Low Price
Denver & Rio Grande R. R.	5	96	89¼
St. Louis, San Francisco R. R.	4½	97	87¼
Wabash R. R.	4½	95½	88⅝
Iowa Power & Light	4½	95¼	90½
Metropolitan Edison	4½	99½	96⅝
Inland Steel	4½	95	89½
Republic of Colombia	6	95	90½
Kingdom of Norway	5	97½	94
City of Warsaw	7	89	85½

April

Title	Rate	Initial Price	Low Price
Chicago, Mil. & St. Paul R. R.	4½	102½	92⅞
American Gas & Electric	5	101	93½
Cincinnati Gas & Elec.	4	92½	85½
Cities Service Co.	5	98	90¼
Electric Power Co. (Germany)	6½	99½	93
Shawinigen Water & Power	4½	98½	93⅛
Wheeling Steel Corp.	4½	93	86
Childs Co.	5	96	88
City of Copenhagen	4½	94½	87⅝
Kingdom of Denmark	4½	95	87¼

May

Title	Rate	Initial Price	Low Price
Union Pacific R. R.	4	92¾	85⅛
German Consolidated Municipal Loan	6	94½	87½
German Central Bank for Agriculture, 1938	6	95½	89
Mortgage Bank of Chili	6	95¾	91
Depart. Akershus, Norway	5	97¼	88½
Australian	4½	92½	86¾
City of Berlin	6	95	89½
City of Frankfort	6½	99½	93⅛
German Con. Municipal Loan	6	94½	87½

June

Title	Rate	Initial Price	Low Price
Tokio Electric	6	90½	90½
Abitibi Paper & Power	5	94½	89⅝
Aluminum Co., Ltd., Canada	5	100	95¼
General Electric Co. Germany	6	95	93

Shrinkage in Bond Values

THE average decline in 45 new domestic bond issues has been over 6 points; in 25 new foreign bonds the same. It would be safe to say that new securities placed in the January-June period of 1928 and aggregating a par value of between $2,500,000,000 and $3,000,000,000 have suffered a shrinkage of between four and five points, or in market value, of from $100,000,000 to $150,000,000.

It is interesting from this standpoint to see what has occurred in time-tested securities, such as Liberty bonds, U. S. Treasury certificates and railroad mortgages that are legal for savings banks, estates and trustees.

The range on the Fourth Liberty 4¼, the longest maturity in this vanishing group, was 104 in January and 100⅛ in July. Between the first month of the year and the middle of August the Treasury 4¼, 4 and 3¾ per cent certificates lost an average of over 6¼ points, or about that on the new corporation bonds described above. The first issue of Treasury 3⅜ per cents dropped five points and the more recent one, two points.

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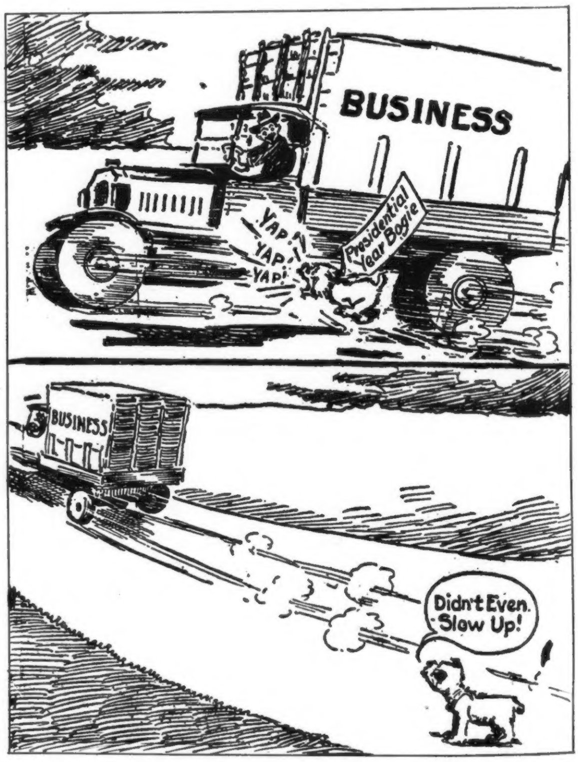
As Cartoonists View Events of the Day

The Grass Is Sweeter in Strange Pastures!—Fred O. Seibel in the Richmond (Va.) Times-Dispatch

It's Always Difficult to Support Two Wives on One Income.—Ding in the New York Tribune

He'd Be Right at Home.—Harry Murphy in the Chicago Herald and Examiner



Not This Time.—From the San Francisco Chronicle

The New Trend of Federal Intermediate Loans

By GEORGE E. ANDERSON

Banks Not Farmers Chief Intermediate Credit Bank Customers. Competition Between Commercial Banks and Federal Farm Loan Agencies Falling Off in the Intermediate Field. Government Financing of This Class now Mainly a Rediscount Business.

IMPORTANT changes are taking place in the character of business handled by the Federal Intermediate Credit Banks. They are coming more and more to be agencies financing those who finance the farmer rather than directly financing agriculture. They are becoming more a second line of agricultural credit than competitors of commercial banks as primary purveyors of loans to the farmer.

Present trends of intermediate credit bank activity are in different directions from those intended for them when their creation was urged upon Congress. They are filling a place in the banking structure of the country but not the place picked out for them.

The intermediate credit banks were established in 1923 to supplement the dual Federal Farm Loan System. Capitalized at $5,000,000, through the United States Treasury, one intermediate credit bank was set up in each of the twelve farm loan districts. With the exception of the Columbia, S. C., bank only $2,000,000 of capital has been called by the intermediate credit banks. The Columbia bank has called an additional $1,000,000.

Their Purpose

THEIR declared purpose was to furnish credit for the farmer intermediate between long terms loans on farm real estate, which may be termed capital loans, and ordinary short term commercial credit furnished by ordinary banking institutions. This was to be accomplished for crop and similar purposes by loaning money on staple agricultural commodities on terms of from six months to three years. They were authorized to issue debentures to provide funds for loans.

These banks were designed not to supplant but to supplement the service of other money lending institutions. They were particularly designed to operate in connection with cooperative marketing associations of farmers for crop moving or holding crops for better markets. In a general way they have performed this service and in many ways they offer exceptional advantages to the agricultural interests of the country. But for some reason their business has not increased to the extent anticipated.

The Farmer's Choice

HALF a decade has demonstrated that the Federal Intermediate Credit Banks are functioning in a different field than that chosen for them when their creation was demanded on the ground that the farmers needed facilities commercial banks did not supply. Results of the operation of the credit banks disclose a significant trend in the direction of expanding business with commercial financial institutions.

Possibly this decrease may have some indirect connection with decreased business on the part of some of the land banks due to a general liquidation of unprofitable business undertaken in other years. The chief reason apparently lies in the fact that under present credit conditions in the United States the field of the Intermediate Credit Bank is not so large as had been anticipated. The fact is that these Intermediate Credit Banks never have been as successful, at least in the matter of the volume of business done, as their progenitors hoped for and expected. From the very beginning of their operation five years ago the demand for their services has been comparatively small.

Their Chief Use

OF course, as the Federal Farm Loan Board has pointed out at various times, the service of these intermediate credit banks cannot fairly be measured solely by the amount of business they have done. There is no question but that they have operated to facilitate farm crop and similar loans by ordinary commercial banks not only by reason of their operation in stimulating the formation of farm credit associations and thus consolidating the credit of farmers but also in the fact that by more or less direct competition with commercial money lending institutions they have forced the latter to give more attention to the credit needs of the farmer. In fact the present trend of business of these banks seems to indicate that their chief usefulness lies in the rediscounting of agricultural paper for other banks and agricultural loaning agencies.

Up to the end of 1927, the close of the first five-year period of these banks, the total original rediscounts of agricultural and live stock paper aggregated $176,278,327 while the original advances to cooperative marketing associations amounted to $232,318,549 with renewals in each case in about the same proportion. In other words the cooperative marketing associations had about 57 per cent of the business during the five-year period. Of the business done in 1927, however, the cooperative associations had had only about 37 per cent as compared with 63 per cent done in rediscounts for other banks and lending institutions.

An analysis of the condition of these intermediate banks and of the business done by them from year to year shows how great this change in the nature of their business has been. While there has been a more or less steady increase in the volume of rediscounts for other banks and loan institutions from year to year there has been so great a decrease in the amount of direct loans to cooperative associations as to cause a rather steady decline in the total amount of business done. The general situation can best be appreciated, perhaps, by presenting it in the form of the table which appears on page 255.

The statement of loans in force on May 31, 1928, shows a loss of 6.6 per cent as compared with those in force at the end of 1927. This may be due to some extent to seasonal influences but

(*Continued on page* 254)

EDITORIAL

Keeping Abreast

ELSEWERE in the JOURNAL will be found the program for the Fifty-fourth Annual Convention of the American Bankers Association to be held at Philadelphia, Oct. 1-4. Back of the program lies the spirit of the Convention. Its essence has been touched by Thomas R. Preston, President of the Association, who says:

"Credit conditions now prevailing in the United States make it particularly important that bankers come together this fall to discuss this phase of business. A fore-glimpse of the general program shows that there will also be important addresses and discussions relating to the farm problem, participation in government and politics as a proper function of business men as business men and other paramount subjects.

"The meetings of the Division and Sections as usual will be packed with presentations of technical subjects with which it is essential for bankers to keep conversant whether they are engaged in investment, commercial, savings or trust banking activities. More and more are bankers coming to realize that it is just as necessary for them to attend associational conferences relating to their profession as progressive physicians have long made it a part of their work to frequent medical meetings and post-graduate courses in order to keep abreast of the advance in their profession."

Keeping abreast works two ways—for the individual and for the profession. To the individual convention contacts will give a broader familiarity with banking conditions in the country which will enable bankers from all over the nation to see with greater clarity the trends of the present and the prospects for the future. This means sound solutions for common problems.

To the profession the convention gives cohesiveness. Keeping abreast means shoulder to shoulder. Every year it become increasingly apparent that banking, like other forms of enterprise, faces the new form of competition which is the outgrowth of the modern complex and large scale business activity.

Industry now competes with industry, profession with profession. Non-banking agencies, not subject to banking laws, are encroaching upon the banking field. Normal competition between banks comes harder with the pressure from without.

The Philadelphia convention offers the opportunity for each bank to keep abreast for the best interests of itself and of American banking.

Brokers' Loans

SOME of the profit has been taken out of brokers' loans by the new schedule of charges provided by the New York Clearinghouse Association for the handling of these transactions for the account of corporations and individuals.

How effective the new measure will be as a brake on brokers' loans will have to be demonstrated by its actual operation. However, if it works, other possibilities are opened up.

Banks will be able to make greater profits in the call money market than individuals and corporations under the new charges. That may make it harder for the Federal Reserve authorities to hold down the total of call loans.

Action taken in one direction frequently can be taken in another. Congress has already flirted with the idea of regulating brokers' loans. The Clearinghouse Association has set an example in attempting to keep the house in order without help from outside.

It is up to the banks all over the country to maintain a conservative policy with respect to the call money market, even in the face of bargain rates for money. In that way they can avoid agitation for regulation which might begin at one point and end anywhere.

Capacity to Invest

UNTIL the Presidential election in November is over there will be no hurry in this country to raise the curtain on international financial questions, but a new basis for the settlement of the German reparations problem is beginning to be discussed off the stage.

"Capacity to pay" is giving way to "capacity to invest" as the stock phrase of settlements of wartime obligations. In the current discussions capacity to invest means the ability of the American investment market to absorb foreign securities. That is a question for the judgment of individual bankers as much as anyone else.

It comes about in this way. The first year for the payment of the maximum annuity of German reparations under the Dawes Plan in the sum of 2,500,000,000 gold marks began on Sept. 1. Revision of the Plan is to be discussed soon after the elections in the United States. Reduction of the reparations burden is being seriously suggested along with the demand for the determination of the final sum Germany must pay.

Statesmen of the former Allies insist that what their countries can pay on their war debts to the United States depends upon receipts from Germany. Revision of reparations suggests revision of war debt settlements. Then there is the proposal favored in Europe of disposing of the reparations question for all time by bonding the obligations of Germany.

The bulk of any international security issue must be marketed in the United States if the flotation is to be a success; hence the capacity and inclination of America to invest would be a greater determining factor than the capacity of Germany to pay.

It is well to realize the change which has taken place in the theory of war settlements. First, when the rumble of the guns was hardly hushed, it was "pay 'till it hurt.'" Then it was "capacity to pay," based on economics, and now comes "capacity to invest."

Business as Usual

ANOTHER ancient superstition seems destined for the discard. The old hoodoo that a Presidential year is a bad year for business is being flaunted on all sides.

Trade reviews and business forecasts see excellent prospects ahead. The money market causes some concern, but that is a situation rather than a condition. There is considerable opinion to the effect that things look pretty good.

In fire, flood, famine and war it has been the custom to proclaim "business as usual." Sometimes it has been better than usual under the stress of extraordinary circumstances. Why not in the Presidential year?

Preferential Discount Rates

A CERTAIN amount of significance may be attached to the emphatic nature of the stand taken by the Federal Reserve Board against a proposal purported to have been made by an unnamed clearing-house association that preferential discount rates be established in favor of loans secured by government obligations. The fact that the announcement of the Board's attitude was made by Secretary of the Treasury Mellen, Ex-officio Chairman of the Board, gives it added significance.

The stand taken by the Reserve Board is what might have been expected. There is little justification for preference for government obligations as proposed. But what is more important is that the suggestion runs directly counter to the new lines of thought in connection with the development of the Federal Reserve System.

In practically all central reserve countries there are preferential discount rates in favor of loans secured by commercial paper and against those offering government securities as collateral. The purpose of the preference is to encourage the extension of bank credit for purely commercial purposes by penalizing the easier method of putting up government securities.

The Federal Reserve System is in the process of evolution. Its emphatic stand against preference for government obligations may by inference be construed as leaving the door open for preference in the other direction, so far as Reserve Board views are concerned.

The proposal that Treasury financing would be helped by preferential discount rates was at variance with a fixed policy, inasmuch as it has long been insisted by both the Treasury and the Federal Reserve Board that there was no connection between Treasury financing programs and Federal Reserve rate policies.

Pride of Place

LOSS of gold by this country is causing no little discussion abroad as to whether the United States is to be displaced from its position as the leading money market of the world. There is a disposition on the other side to hope for the return of preeminence in international finance to England—to the old world.

Practically, there is little to justify this hope. The gold stock is still enormous. Credit resources are incalculable. And the returns to come from American foreign investments are no mean item in adding to this country's strength as a world money market.

It may go hard with Europe to see the new world hold first place. Yet the hand of America steered the world through the crisis of after the war rehabilitation. America virtually compelled currency stabilization.

Perhaps it is a blow to European pride, but it is much better for the world at large that American hands should guide. Distance may not always lend enchantment to the view, nevertheless it permits of a wider range of vision than the close-up.

Worthy of Note

BANKING and finance in the United States during the past year is summed up by the Commerce Yearbook, 1928, issued by the Commerce Department, in this fashion:

"In 1927 there was continued growth in the volume of practically every kind of financial transaction; but, except in the stock market, it was a growth so sound and gradual as to be without great general interest. A growth of one-twentieth during a single year in the combined assets of all American banks would be noteworthy if we had not become used to such rapid expansion."

Surely it is worthy of note that government economists consider the growth of every kind of financial transaction, except in the stock market, sound. Certainly it is worthy of note that the banking structure is adding to its foundations, even though the public eye may be focused elsewhere.

Strength lies in foundations. The health of a nation depends upon its banks. It is worthy of note that the fundamentals of expansion are sound.

Lighthouses of Business

IN the midst of the pros and cons of the business situation there is one factor unmistakably favorable. Business failures are on the decline, according to the trade reports.

This development should be both a source of satisfaction and a spur to the banks. Keeping business on the safe course is the supreme service of the banking structure. Economic indicators are more or less reliable in the main, but a continued reduction in the number of business failures in the country, if it can be made into a trend, would be a cause as well as an effect of stable prosperity.

Something To Watch

EARLY in August 800 miners left England for Canada. They were the vanguard of what is planned as a migration of 10,000 unemployed British miners to Canada to take up farming. The outcome of this migration will be of direct interest to American farming communities.

Farming in this country has had a lot of bad advertising. Admittedly there is an agricultural problem. Yet it is obvious that some farmers are successful in the same general sense that the term is applied to business and professional men in the cities.

British miners setting out to farm in a strange country are necessarily handicapped. The greater the accomplishment if the results justify the movement. And the better the advertising for farming as an industry and as an occupation.

The Field for Affiliated Finance Companies

By LESTER E. SHIPPEE
Bank Commissioner of Connecticut

Expansion of Bank Activity Produces the Securities Company. Dangers to Be Avoided but Benefits to Both Banks and Their Customers Come Through These Affiliated Corporations Which Represent the Tendency of the Times. Where They Serve Best.

COMMERCIAL banking in this country is becoming increasingly complex. Our banks are constantly broadening their range of activities. We are in an era of departmental banking, and the bank of limited service appears to be losing popular favor.

Undoubtedly, some of our splendid old-line institutions will continue to operate in a restricted way, but the general trend of the times is for banks to attempt to render a wide variety of services.

The formation of security or finance companies in affiliation with banks is not new, but, until quite recently, such companies have only been operated by large banks in the largest cities. In fact, before the war period, only a few of the large banks maintained bond departments. But during the war period many smaller banks were practically forced to open bond departments in response to the new and unprecedented public interest in investments.

Demand for Stock

THE affiliated and separately incorporated securities company was formed on the theory that it would keep all of the advantages of a simple bond department and have, in addition, greater flexibility and freedom of action. As in the establishment of bond departments, the creation of security companies came as a natural tendency of the times when financial activities are being conducted more and more under one roof and by a single administrative organization. The security company is formed to expand the facilities of the bank and to carry on such lines of finance and investment as are not permitted the bank itself by national or state laws.

In Connecticut all security companies affiliated with state banks are identical, as they have been patterned after the oldest and largest company which was incorporated by one of the successful banks in Hartford. Discussion of this new development with the officers of this bank produced the explanation of its creation and the purposes it serves.

The demand for stock of the bank was far in excess of the number of shares which valuable clients were eager to secure. In some cases, customers went so far as to ask that directors be approached to part with some of their holdings. The creation of the affiliated company satisfied this demand, creating good will for the bank.

New Business

SECURITIES companies can aid banking operations measurably but there is a definite place for them as successful adjuncts to parent institutions. If there is going to be a general aping by small country banks of the large metropolitan companies because of their success and security companies are created wholesale without reference to need or ability properly to conduct them grave consequences are apt to ensue, says Mr. Shippee.

Escape from Bank Laws

AN expert statistical department was maintained which had built up a successful investment holding for the bank in its various departments and had gained a wide reputation for investment guidance for individuals. It required no additional expense to supply these data and ability to another company. It was found that many of its clients were investing in offerings of investment trusts whose stock was issued with a brokerage charge at the very start. It was felt that the security company would attract this type of investor.

It was brought out that, under its charter, of course, the affiliated company is not bound by the restrictions of the state banking laws, and is enabled to engage in many transactions which the bank could not handle. It was felt that certain types of inactive market securities and loans of a more or less permanent nature could be safely and profitably handled by this type of company having no one to answer to except its stockholders. It might participate in underwriting securities issues; bring about mergers and wholesale to brokers new issues of securities; it could operate a joint account on a security with a broker by carrying the securities until distributed; it could act as an investment guide service to large corporate investors receiving a service fee; it could buy and hold stock in the bank making it available to its clients and invest with unrestricted quota in securities.

Augurs Well for Investors

THE bank has as its only relationship to the affiliated company the same directors and some of the same officers. The stock of the security company is entirely separate and distinct from the stock of the bank. The company is a complete, separate, corporate unity. The bank feels that it has been benefited because of the fact that the majority of its shareholders are shareholders in the security company. It also gains by being the principal depository of the company.

Judging from such standards as—charging the security company only the actual purchase price of all securities—and giving it full benefit of the entire sales price—operating under a minimum expense for clerical detail—having the advantage of guidance from men really trained in investment values and markets—plus the fact that these men have created a reputation for character, ability and success with the affiliated bank—would seem to augur well for the investor, large or small, and be a particular protection to the small investor who rarely is profound in his selection of securities.

To lay down any general rule as to

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All in the Day's Work of a Savings Banker

By CHARLES A. MILLER
President, Savings Bank of Utica, N. Y.

The Customer Who Wanted an Accomplice in Fraud. The Respectable Citizen Who Believed He Had Made a Deposit on the Second Day of the Battle of the Wilderness. Sequel to Planting of Money at the Full Moon. Threaten Slander Suit.

MR. ISIDORE WENK (the name is fictitious) came into my office bringing the abstract of title on his wife's property, on Bleecker Street, where they carried on a small but seemingly prosperous business, "in the clothing, gents' furnishings, and dry goods line." He was short and thick set, with an untrimmed reddish beard and small, light eyes whose unpleasing proximity was emphasized by their inflamed lids.

I recognized him at once, because it was less than a week since he had called with his wife to apply for a $2,000-mortgage; and, taking the abstract, I told him that the attorneys for the bank would let him know when the papers were ready for signature. At this, instead of leaving the office, as I expected, he drew a chair confidentially and unpleasantly close to mine.

"I have a business proposition to make to you," he began, almost in a whisper. His English was good enough though there was just a suggestion of a gutteral accent which I find it impossible to indicate in writing, without exaggeration. It would be impossible to exaggerate the unpleasant combination of onions, garlic, dirt and perfumery which surrounded him like an aura.

"Well, what about it?" I asked, with more impatience than one ought to show a customer.

"I'm Going to Get Out"

"IT is this," he explained; "you draw this mortgage for $3,000 instead of for $2,000."

Getting out the appraisal from a file in my desk, I saw that the valuation warranted the larger loan, nodded acquiescence, and was about to change the application to the increased amount, when he continued:

"My wife is running 'round with another fellow, and I'm going to get out. So you give me $700 of that extra thousand, and you keep $300 for your trouble."

"I don't quite understand," I objected. And, indeed, I didn't, for one doesn't take commissions on loans in a savings bank, nor would ten per cent suggest itself as proper, if one did.

His Brother's Keeper

***THEY go to their banker when they would not go** to anyone else. They may be trying to put something over. They may merely be telling their troubles. They often need advice. The burdens of the multitude come to the banker. He can not, even if he would, escape community responsibility because he has gained the confidence and trust of his public. Mr. Miller gives a birdseye view of the trials and the troubles, the tragic and the comic, which come as part of the daily duty of the banker.*

"You mean that your wife is going to give you $700 when you leave her?"

"No, No!" he whispered, emphasizing his negative by a loathsome pawing of my coat sleeve. "My wife, she will not know anything. You just write the mortgage for $3,000, and you give her $2,000, see?"

"But I don't see. Will she be willing to sign a $3,000 mortgage?"

He looked contemptuous at my stupidity.

"What for you think you get the $300? My wife doesn't read. You read the mortgage to her $2,000, but you write it $3,000. Then we divide up the other thousand between us, and I get out."

The rest of the interview was short but violent. I confess that I lost my temper. The whole affair was a dreadful humiliation. We are told that "every man has his price," and I have often wondered what mine was. That Mr. Wenk thought it was about $300 is not a ground for pride.

Mr. John Stanley came in. He was an elderly man, known to me, for many years, as a prosperous shopkeeper, a public spirited member of the Chamber of Commerce, a useful citizen. He asked me to find out for him the balance due on his account. I inquired about his passbook, and he said that he had lost it. Ringing for my stenographer, I sent him to find the number of the account in the index, and the balance on the ledger.

When he had gone, Mr. Stanley remarked,

"He won't find it, you know. It's in Harry Baxter's name."

"What do you mean?" I asked.

"It's quite a long story," he answered, "and it goes way back to the Civil War. I opened that account on May 6, 1864. Do you know what day that was?"

I shook my head.

"Second Day of the Battle of the Wilderness"

"IT was the second day of the Battle of the Wilderness. I had about $1,500 that I wanted to put into the bank, and as I walked down Genesee Street, I saw a crowd around one of the bulletin boards. I pushed my way in, and saw that it was a list of those who had been wounded on the day before. The only name I recognized was Harry Baxter's. I was little more than a boy then, and it made a great impression on me. I remember that as I went on, down the street, I kept saying over and over to myself, 'Harry Baxter, by thunder! Harry Baxter, by thunder!'

"Well, I got down to the bank and went in and opened the account. And the funny thing is that when the clerk asked my name, I was still thinking about his being wounded, and I gave Baxter's name instead of mine. I remembered that afterward."

Just then my stenographer returned to say that Mr. Stanley had no account with us.

"No," said he, "there wouldn't be. It was in Baxter's name, as I said."

"But, my dear sir," I remonstrated,

"Do you mean to say that you have left that money all these years, from 1864 to 1914, without doing anything about it?"

"Exactly," he responded, "I knew it would be safe, and I had no particular use for it."

"I'll look into it," I promised, and he, in turn, promised to come in again in a month.

Then we began a long search. To dig up the detailed transactions of a specified day, fifty years before, is, in a bank of our size, no light task, but we accomplished it, only to find that no deposit was credited on that day either to Baxter or to Stanley. Moreover no deposit of $1,500 was, on that day, credited to anybody.

We tried the following day, May 7, with a like result. Our list of unclaimed deposits showed that no account, which by any stretch of the imagination could be identified with this, had remained without presentation of the passbook for interest credit for six years, to say nothing of fifty. Harry Baxter, we found from our old records had once had a small deposit in the bank, but he had withdrawn it when he enlisted. He had never had another. I called upon him—he was our postmaster, at this time—and he corroborated the statement that he had been wounded in the Battle of the Wilderness. He knew nothing of Mr. Stanley's alleged transaction.

What was I to think? Stanley's standing and reputation precluded the idea of intentional fraud, while no other symptoms of insane delusion, the alternative explanation, could be discovered by such inquiries as we were able to institute.

At the end of the month he came back and listened calmly to my report. Then he got up, shaking his head doubtfully.

"That's damned queer," was all he said. Then he went away, and we heard no more on the subject.

Undressed in the Lobby

If Mr. Stanley was a lunatic, he was certainly less objectionable than one of our customers who insisted on undressing completely in our main lobby, during a busy day, because he believed that he had rented it for a bed room. Still less pleasant was our experience with an old Irish woman, who used to come in several times a year, and, kneeling in front of the counter, raise her hands and eyes to Heaven and call upon God and many of the Saints to curse the bank and its officers and employees, naming as many of us as she could remember, and including in her malediction many of our deceased predecessors. Her family refused to take the steps necessary to restrain her, and we put up with it as long as she lived.

Often our depositors would save money by consulting us before, instead of after, the event. Those of foreign birth are especially susceptible to the wiles of the confidence man, and the more ridiculously improbable the scheme, the more secretive they are as to their reasons for withdrawing the money which they want to invest in it.

For example, Ercole Pazza and his wife would be $1,200 richer today, if they had confided to us their intention to plant this sum, which they withdrew, in their back yard. They had a boarder, it appears, who showed an odd predilection for gardening in the rather sterile ground behind their home. After watching him closely they discovered that he dug up money there. The inquiries which this led to convinced them that the boarder was the happy possessor of the secret of making money grow like potatoes. If you planted a dollar, at the time of the full moon, and with the proper incantation, which only the boarder knew, you could dig up four or, perhaps, five dollars, at the next new moon. That is, if you hadn't broken the spell by letting anybody know about it, in the meantime. They subjected the matter to the test of experience, on a small scale, and planting five dollars with the proper rites, and maintaining strict secrecy, dug up twenty dollars, when the next new moon appeared.

"After watching him closely they discovered that he dug up money there."

At the next full moon they came to the bank and withdrew $1,200, almost their whole balance, refusing any information as to the proposed use of the money. It was only after the new moon that, failing to find the $5,000 which the boarder had led them to expect, they connected the sudden departure of the promoter, which had speedily followed the planting operation with the disappearance of their $1,200 in currency, which, even if the charm had failed, ought in the nature of things to have stayed where it was put till they dug it up.

Almost as absurd was the case of a

(*Continued on page* 259)

THE HUNTER DULIN BUILDING
San Francisco, Calif.
22,000 yards of *Gold Seal* Battleship Linoleum used for office floors—for tenants' comfort and economy in installation and maintenance.

Architects
SCHULTZE & WEAVER
Contractors
LINDGREN & SWINERTON, INC.

Revision of Reparations and War Debts

By H. H. PRESTON

Last Financial Problems of the World War Await Adjustment. Voices Are Calling for a New Deal All Around, which May Be Given. Economic and Political Viewpoints Clash. Background of Both Questions Compels American Interest in the Outcome.

SEPTEMBER 1, 1928, marked the beginning of the fifth year under the Dawes Plan. Moreover this is the first "standard year," the four years just ending having been a transition period during which the payments have been steadily graduated up to the "standard" annuity of 2,500,000,000 gold marks which Germany is now called upon to pay for a period as yet undetermined. On June 15 a somewhat inconspicuous notice appeared in the financial items to the effect that \$90,750,000 had been paid to our Treasury by foreign nations for the account of the war debts. These payments came from fourteen European nations, all of whom have concluded settlements of their war obligations during the past five years.

When we look back at the financial condition of Europe five years ago we may well marvel that the events just chronicled arouse so little enthusiasm today. German economic life was then in chaos, France and Belgium were making a desperate but largely futile effort to collect reparations by a military occupation of the Ruhr. England alone of our principal European debtors had funded her war debt. Every nation of Europe, belligerent and neutral, was on an irredeemable paper monetary basis.

Out of Chaos

IN August, 1924, the Dawes Plan was adopted. Hope began to take the place of the despair that had gripped the nations of Western Europe. In 1924 Sweden announced the return to a full gold standard. England and several other countries followed in 1925. Singly or in groups the nations have come back to an effective gold basis; the return of France to gold in June, 1928, makes the list almost complete. With the exception of Russia, whose debt of approximately \$270,000,000 will probably have to be written off as uncollectable, the debtor nations have negotiated debt settlements. The settlement with Greece in December, 1927, was the last of these to be negotiated. True, the French agreement of 1926 has not yet been ratified by her Parliament, but payments are regularly being made on her obligation.

The confusion and disorganization which marked the first half of the decade following Nov. 11, 1918, have been succeeded by five years of progress. In the light of the remarkable achievements of the past five years it might seem that no problems remain. The carefully drawn Dawes Plan has functioned successfully during the four transition years. The American Debt Funding Commission has completed its task and its result have been approved by Congress. No breakdown has occurred in the operation of either. Nevertheless, the reparation plan and the debt settlements are not being accepted as final. Many influential persons here and abroad are convinced that the reparation question must soon be reconsidered. What about the finality of the debt settlements? Even more insistent is the demand for their revision.

Carrying On

AMERICANS made large contributions to the drafting of the Dawes Plan and the successful execution of it for four years. The United States aided Europe in the reestablishing of the gold standard but the war debt settlements seem still to be a problem. Further discussion appears to be inevitable. Mr. Preston thinks that what is needed now is a sympathetic understanding of the questions ahead to the end that America will again do her part when new alignments are necessary.

The Bill Handed Germany

IT appears timely, therefore, to consider these questions in the light of the experience of the past decade, to see wherein they contain unsettled issues, and to offer some tentative suggestions as to the future.

The actual amount of the reparation bill was not named in the Versailles treaty but was to be determined by an Interallied Commission to be known as "The Reparation Commission." This Commission was to fix the total amount of the German bill not later than May 1, 1921, i.e., approximately two years later. The bill handed to Germany by the Reparation Commission in 1921 fixed the total damage at 132,000,000,000 gold marks, approximately \$33,000,000,000.

The terms of the 1921 schedule proved impossible of fulfillment. When the Reparation Commission in January, 1923, declared Germany in willful default, France and Belgium sent their troops into the Ruhr. For a year and a half thereafter the only reparation receipts consisted of revenues received by the Franco-Belgian exploitation of the Ruhr and some of the export and other taxes collected directly.

The Dawes Plan

IN addition to bringing about a practical cessation of reparation payments the occupation of the Ruhr completed the breakdown of the financial and economic system of Germany. By October, 1923, the mark had reached a point where over a trillion paper marks were required to equal one gold mark. Things were in hopeless confusion and the existing machinery seemed incapable of dealing with the situation. Accordingly, in November, 1923, two international committees of experts were appointed by the Reparations Commission to report to it. The first of these committees was nominally charged with the responsibility of determining how the German currency could be stabilized and the budget balanced. General Charles G. Dawes was chairman of this committee and its report, therefore, is generally known as the Dawes Plan.

It is impossible to cover in detail the plan or its operation to date. In the first place, the plan fixed the total German annuity at 2,500,000,000 gold marks after the standard year had been reached. Certain definite revenues were specifically assigned to reparation payments.

These may be shown by the following schedule:

(In millions of gold marks)	
German Railway bonds	660
German Industrial debentures	300
Transport Tax	290
Budget	1,250
Total	2,500

Peter Pays Paul

NEARLY four years of operation under the Dawes Plan give some basis for an appraisal of its value. Even if it should subsequently be modified the plan has proved of great value in giving time to restore the economic life of Germany and of Europe as a whole. Thus far Germany has paid her reparations in full and the funds have been duly transferred to the creditors without endangering currency stability.

There has been as yet, however, no real demonstration of the ability to transfer these sums from Germany. True, the transfers have been made, but the country as a whole has been borrowing to pay reparations. In other words, Germany has not yet created an export surplus which will enable her to make reparation payments. To what extent a restored Germany will be able to create an export balance with which to pay reparations and also the increasing charge for interest and repayment of principal of foreign loans remains to be seen.

Before undertaking to consider the next step in reparations let us turn to a consideration of the allied war debts to the United States. (The combined total of the debts was $10,338,058,352.20, exclusive of interest). In February, 1922, Congress created a Foreign Debt Commission with authority to negotiate settlements with the various debtor nations. In delegating this power certain restrictions were imposed upon the Commission. They were not to reduce the debts, they were not to grant a rate of interest below 4¼ per cent, and all debts must be paid by 1947, i.e., twenty-five years later.

Debt Settlements

IN 1923 a British Commission arrived to negotiate a settlement. By that time the market rate for United States obligations was about 3.5 per cent. In view of this the British asked for a lowering of the rate. This was accorded, the rate being fixed at 3 per cent for ten years and 3.5 per cent thereafter. The British representatives also asked for an extension of time and this too was granted, the period being extended to sixty-two years. Although this settlement did not conform to the terms laid down by Congress, it was approved by an overwhelming majority. Furthermore, the original act was amended at the same time to allow the Commission to make any settlement it "may believe to be just." It was stipulated that the settlements were all to be approved by Congress, but no change was made by Congress in any subsequent settlement negotiated by the Commission.

In general the British settlement represented a literal fulfillment of the obligation and was so regarded in this country. The only departure from this was a reduction of the interest slightly below the prevailing rate on our Treasury obligations. The same principle was applied in the settlements with eight of the smaller debtors. The repayment of all debts large or small was in every case distributed over sixty-two years. But in the settlements with several of the countries the principle of literal fulfillment gave way to one of capacity to pay. This was notably true in the case of Belgium, France and Italy. In making adjustments on the basis of capacity to pay, the Commission was guided by an inflexible rule that repayment of principal must in every case be made in full. The adjustment to capacity of the debtor to pay was made in every case by adjustment in the interest rate. The Commission stated that "repayment of principal is essential in order that the debtor might feel that it had paid its debt in full."

Cancellation

ENGLAND is charged interest at an average rate of 3.3 per cent which will add to the $4,600,000,000 in principal over $6,500,000,000 in interest, bringing her total payments to over $11,000,000,000. Italy, on the other hand, owed $2,000,000,000 and has been charged an average interest rate of approximately 0.4 per cent. She repays, therefore, in principal and interest only about $2,400,000,000.

Owing to the fact that the reduction to capacity to pay was made through reducing the interest rate, it is nearly impossible to determine the extent of American cancellation. It all depends upon what we consider to be a fair rate of interest. Tables have been prepared assuming interest rates from 3 to 5 per cent. Upon the basis of a 3 per cent normal interest rate, Great Britain was overcharged 7 per cent on her total payment, principal and interest. But even at 3 per cent the cancellation of the Italian debt is 62 per cent. On the basis of 5 per cent as a fair rate of interest, Great Britain has had 30 per cent of her debt cancelled and Italy 80 per cent.

In view of these possibilities it is futile to spend time in discussing the extent of American cancellation. The actual payments which we are to receive under the terms of the debt settlements aggregate over $22,000,000,000. Annual payments average slightly more than $200,000,000 per year during the first decade and increase to about $400,000,000 per year in the later years.

We have reviewed the history and present status of reparations and interallied debts. The results have been shown to be quite satisfactory. What basis is there then for the insistent demand for reconsideration?

Gilbert's Advice

IN his third annual report, Mr. S. Parker Gilbert, Agent General for Reparation Payments, has this to say regarding reparations:

"As time goes on, and practical experience accumulates, it becomes always clearer that neither the reparation problem, nor the other problems depending upon it, will be financially solved until Germany has been given a definite task to perform on her own responsibility, without foreign supervision and without transfer protection."

Mr. Gilbert's statement regarding reparations suggests certain unsettled issues in connection therewith. First, he states that Germany must be given a definite task to perform. Let me remind you that the total of the reparation debt has never been changed from the 132,000,000,000 marks set by the London agreement in 1921. The Dawes committee had no authority to fix a total sum. The standard annuity of 2,500,000,000 per year is a 6 per cent return on less than one-third of 132,000,000,000. Either the number of years must be fixed or a sum agreed upon which can be liquidated from the present annual installments within some reasonable period. A perpetual debt is unthinkable. Moreover, even the standard annuity may at some future time be changed in accordance with the index of prosperity.

Mr. Gilbert further states that the ultimate solution must free Germany from foreign supervision. The Dawes Plan created a very elaborate machinery of foreign control. The permanent organization includes the agent general for reparation payments, a transfer committee of six members, a commissioner for each of the Reichsbank, the railways, the controlled revenues, and separate trustees for the railway bonds and the industrial debentures. There are foreign members on the boards in control of the Reichsbank and the railways. With all of this, the Reparations Commission created by the treaty still remains. This is the foreign supervision to which he refers. Shall Germany, now a member of the League of Nations and restored to her place among the nations, be indefinitely subjected to this form of supervision? Many will agree with Mr. Gilbert that the time is not far distant when this supervision must be removed.

A third issue raised by Mr. Gilbert is that of transfer protection. It is problematical whether the German economy can develop an export surplus of 2,500,000,000 gold marks, about $625,000,000, one year after another. We have already pointed out that up to date no such surplus has been created. Germany has been able to pay largely because she has borrowed so heavily in foreign money markets. How long will this borrowing continue? Must the transfer of interest and principal of these loans be given priority over reparation payments? The transfer committee, headed by Mr. Gilbert, has consistently held that reparations have priority.

France Showed the Way

WHAT then is the solution indicated? The answer seems to be suggested by experience. Following the Franco-Prussian war Germany imposed a huge

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National Banks Become Security Dealers

By W. M. KIPLINGER

New Fields for National Bank Operations Are Being Explored. Wholesale Buying and Retail Selling of Securities by Banks Is Spreading, National Banks Have Opportunity for Service to Customers and Profits to Themselves in Investment Sales.

Banks as Brokers

COUNTRY banks are believed to have the same chance for additional earnings as national banks in the cities that are beginning to deal in securities under the new provisions of the law. A new line of national bank business is opening up. The movement is just getting started and its real significance lies in the future but there is no question that in the sale of investment securities the national banks will have to contend with the problem of free services.

NATIONAL banks throughout the United States are becoming dealers in investment securities under powers conferred on them specifically by the McFadden Act and under regulations of the Comptroller of the Currency. The tendency in this direction of wholesale purchasing and retail selling is not rapid or spectacular but it is unmistakable. Formerly banks bought securities for their own investment accounts, as a secondary reserve. Now they are buying both for this reason, and to have desirable securities for sale to customers. There is profit in the selling transaction, to augment the narrowing profits from the usual commercial banking business, and this is bound to widen the practice during the next few years.

It can not be said that national banks are leaping wildly to their new opportunities. The bond market has not been especially good since June, 1927, when Comptroller of the Currency McIntosh issued regulations under which banks were free to proceed. Many customers of banks who ordinarily would buy investment bonds have turned their attention to stock speculation. Furthermore, it takes expert knowledge of investment securities to make expert dealers and the smaller national banks have not yet developed their knowledge along this line.

Tremendous Advantages

FROM month to month, however, there is increasing evidence that banks are doing more buying and selling over the counter, and are preparing for extension into this field. The real significance lies not so much in the present, therefore, as in the future.

A bank's advantages in the business of selling securities are tremendous, although these are probably not yet adequately recognized by the banks themselves. The bank has intimate knowledge of its customers' accounts. It knows when a savings account is reaching a balance which will tempt the depositor to withdraw it for investment in securities paying higher interest rates. If the bank does not take the initiative, or offer facilities for investment, others will do it.

Besides, sales of securities are based largely on confidence. Most investors do not have time or opportunity to check into the soundness of a bond or a note, but rely to a large extent on the judgment of others. Traditionally a bank has the confidence of its customers, and when this confidence is backed by a knowledge of the merit of the security offered, a real service is performed to the customer at a profit to the bank.

A Great Talking Point

SECURITIES bought and held by a bank are subject to the supervision of the Comptroller of the Currency as to ready marketability and other evidences of soundness. Securities sold by a bank are subject, therefore, to precisely the same supervision. From no other source than national banks can individual investors obtain only securities which conform to a Federal government standard. The investor buying from a national bank can be assured that the securities have passed the scrutiny of national bank examiners and have met the tests of conservatism and soundness.

This situation places in the hands of national banks a distinctive sales advantage which in time will carry weight with investors, as the investors learn to know the Federal law and regulations governing banks as security dealers. At present probably few investors realize this because it has not been impressed upon them by banks, and certainly no others than national banks will raise a hand to emphasize the situation. Bond houses will not do it, although they may take advantage of the status of such of their securities as are found to be eligible for national bank dealings. In a year or two bond salesmen may be saying to their prospective customers, "This bond is bought and sold by national banks under regulations of the Comptroller of the Currency. It has met the Federal standards. It is sound." A great talking point!

There are some difficulties in the business of dealing in securities by national banks. The first is the difficulty of inertia. A bank must go about the business of selling securities with whatever degree of aggressiveness can be made consistent with its policies. It must sell, not merely wait for its customers to come to buy.

Careful Buying Necessary

THE second is the difficulty of the buying function, of accumulating exact knowledge of the value of securities. The smaller banks can not afford to establish bond departments, but they can and should afford to delegate one officer to follow this subject. They can always rely for counsel and guidance on their city correspondent banks which maintain good bond departments, and this course is being recommended highly by Comptroller of the Currency McIntosh.

The reasons for sound purchasing are obvious: To save the bank from loss, and to provide a portfolio of good investments for prospective purchasers at retail. Wise purchasing has not always prevailed. Too many small banks still give way to high pressure of bond salesmen, with lure of high rates. It is al-

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Utilization of Farm By-Products

By C. B. SHERMAN

Some Practical Methods for Reducing Agricultural Expenses. Commercial Usage of Corncobs, Grain Straw or Peanut Hulls In Quantity Seen as Still Far Away. But Use of Home Raised Products Will Increase Income by Lessening Expense Burden.

UTILIZATION or sale of by-products of the farm is one of the promising lines of farm improvement that bids fair to receive increased attention tomorrow if not today. Leaders have been working in this direction for some years with some marked results, but only recently has general attention been attracted toward the possibilities.

Already we can point to some outstanding developments. The use of bagasse, the by-product of the sugar cane industry which was formerly discarded or was used as fuel, is now being commercially used in the manufacture of wall board and other products. By-products of corn are now sold extensively as starch, corn sugar, corn oil, and many other products. Paper of fair quality has been made from cornstalks and the by-product of this process has, in turn, been used as a cattle feed. Even corncobs are yielding furfural, a valuable constituent of many essential oils. In fact, the list of by-products of corn is far too long to list here, but all of them are not as yet commercially profitable.

Future Possibilities

THIS brings us to two important points that are often not realized in speaking of utilization of agricultural by-products. In the first place, such utilization usually demands considerable advance research by chemists and others as to processes and possibilities; and then comes the economic considerations as to the commercial feasibility of the project. It has been shown by laboratory tests, for instance, that usable grades of print paper can be made from cornstalks, from flax straw that is now often burned in the fields to get rid of it, from Zacaton, the desert cactus that is usually regarded as a pest, and from other substances that are now discarded or little used.

But probably in no case is the product, as yet, a feasible material from a commercial point of view. Some of the more potent reasons include distance between occurrence of by-product and present factories, present transportation rates, and need that would be created for extensive readjustment of machinery.

Great as have been many of the results, future possibilities are almost romantic in nature and magnitude. Chemists at the recent meeting of the Institute of Chemistry at Evanston, Ill., gave serious and enthusiastic attention to the question of the 10,000,000 tons of agricultural material in the form of cornstalks, corncobs, grain straws, bagasse, cottonseed, and peanut hulls that are still going to waste in spite of all the work on the subject that has been done to date. Researches of immediate urgency in the further utilization of such products formed the exclusive subject of one of the conferences.

> **Losses to Cut**
>
> *INDUSTRY has scored many a triumph in devising ways to turn by-products into profits, and in every branch of manufacturing the quest for means to turn waste into profit is relentless. The accompanying article indicates the progress that has been made in the utilization of by-products and the gains which might be effected if ways were devised to cut down the losses sustained in the transportation of perishable products.*

Spectacular Figures

REDUCTION of wastes in marketing processes is a closely allied line of endeavor and the figures that can be cited in connection with it are spectacular.

The estimated loss caused by inadequate storage of a fairly recent potato crop was $25,000,000. This waste occurred in storage places all along the way from farm to consumer, but was particularly heavy on the farm. The estimated crop was 100,000,000 bushels. It was estimated that about half of this quantity was stored in earth banks, and that the spoilage in such storage was about 50 per cent of the product.

Heavy losses often occur on the way to market. It was reported that the apple shippers of the Pacific Northwest presented damage claims to the railroads totaling more than $3,000,000 to cover freezing losses during one winter. Other heavy losses occur because of lack of transportation facilities and car shortage, and through loading cars in the wrong way. Inefficiency in loading such perishable products as sweet potatoes, apples, and grapes frequently causes 20 per cent of the shipment to be injured or spoiled. All of these matters are receiving constant attention from Federal and state leaders and from the carriers, and improved methods are being placed in practice as a result of much study and demonstration.

Far From the Farmer

PERISHABLE products are not the only ones that show extensive loss in marketing processes. Fifty million dollars has been reckoned a conservative estimate of the loss each year through "country damage" or inadequate protection of the cotton bale. From some bales that have been exposed to the weather on the farm or at the country shipping point it is sometimes necessary to remove nearly half of the cotton in order to make the bale salable. The United States Department of Agriculture for many years has waged an active campaign for improved methods of storing cotton, no matter how few the bales on hand. Tests made by the Department show that often the simplest methods, such as the frequent turning of the bale, placing of strips of board under the bale, or the use of tarpaulin, will save a loss of $30 or more per bale.

It is interesting to deal with figures that run into the millions, especially when it is felt that the figures are not exaggerated. It is fascinating to think of new products made from farm materials, and new uses for old products. But to the farmer, struggling with the problems and burdens of today, relief in this guise looks very indirect and very far away. He knows that he, individually, is not likely to sell his corncobs as furfural. That all such utilizations will tend to widen the market in general and, in the course of time, to stabilize the demand for the farm products involved brings him small comfort.

No, the individual farmer, as yet, must often turn to utilizing, at home

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Travelers Cheque sales to winter voyagers

*F*ROM being a luxury for the few, winter travel has become so popular with Americans that more than one hundred cruises left our shores for warmer climes last winter.

Winter voyagers are all Travelers Cheque prospects. Because they are away from home for long periods it is naturally necessary for them to have not only plenty of funds, but *safe* funds. On shore excursions in semi-civilized areas they must have money that is spendable at all times.

American Express Travelers Cheques meet these requirements. Not only are they safe and spendable everywhere, but in addition they introduce the traveler to the network of American Express offices throughout the world. At these offices the Helpful Hand of American Express service smoothes the pathway and makes happier the journeys of your patrons.

The winter cruise program for the coming season is greater than ever before and the possibilities for Travelers Cheque sales are correspondingly increased. Besides the profitable sales transaction, bankers find good-will value results from introducing their depositors to the Helpful Hand of service which goes with

Steamship tickets hotel reservations, itineraries, cruises and tours planned and booked to any part of the world by the American Express Travel Department.

Safe anywhere Spendable everywhere

AMERICAN EXPRESS

Travelers Cheques

Credit Control and Bank Reserves

By HENRY E. SARGENT

Member Bank Time Deposit Growth Complicates Market Control. Wide Margin Between Reserve Requirements for Time Deposits and Demand Accounts Makes Former Better Available for Loan Purposes. Angle of Brokers' Loans Situation.

BACK doors opening into the call money market are gradually being closed. Persistently, the Federal Reserve System is persuing its policy for obtaining effective control of brokers' loans. Success depends in great measure upon the ability of the reserve system to bring into the scope of its influence the "uncontrollable" factors that have come to light.

It might seem to be a far cry from the reserve requirements of the member banks and the volume of funds available for the call market. Yet the reserve requirements fit directly into the picture of the struggle which began nearly ten months ago to bring about a contraction in the amount of brokers' loans outstanding.

Over the period of the past year the country has seen, within a shorter space than ever before, the working of all the machinery provided for the control of credit by the reserve system. Last summer it saw the easing of the money market through the lowering of discount rates and open market operations attuned to that policy—the purchase of government securities to offset the effects of gold exports.

Slow Going Up Hill

WITH the turn of the year came reversal of that policy. Then began the series of increases in discount rates. At first there was merely a cessation of the off-setting of gold exports, but early in the year the sale of securities accompanied the rate policy. This emphasized the effects of the outward gold movement.

Thus the machinery for easing and for tightening the money market were seen at work, the wheels of the one starting almost before those of the other had ceased. But new conditions demonstrated a certain lack of efficiency in this machinery. It worked well down hill but coming up-grade there was a tendency to stall.

There was a time when whispers from the reserve system brought results. But recent months have disclosed higher and higher rates for money and, generally speaking, the total of brokers' loans outstanding going right along with them. The chief explanation of this phenomena has been what is described as the excess of money available for investment.

Inside the Lines

EFFORTS of the Federal Reserve System to control the money market effectively have developed various factors interfering with prompt results. Loans by corporations have produced an element outside of the system while on the inside its policies have had to contend with expanding time deposits of member banks which have released large supplies of funds for use in making loans on securities. Reserve requirements have come to be a question of Federal Reserve policy.

Escaping Control

THIS excess supply of money slowed up the control process. Defects in the machinery became apparent. Attempts at repairs are being made on some of the outside parts. Loans to brokers by others than banks—corporations and individuals—are being charged higher handling fees by the banks acting as agents. While the increased charges are the result of action by the New York Clearing House Association they fit into the effort at complete control.

But there are also interior parts which are being inspected. Inequalities in the reserve requirements of the member banks as between time and demand deposits have developed a source of supply for call money which has escaped the control of the Reserve System.

In a word, the much smaller reserve requirement for time deposits have made them available for loans on securities by banks in a more satisfactory manner than demand deposits. There has been a greater rate of increase in time deposits than in demand deposits in the past few years. In the past year and a half the growth of time deposits has been especially noticeable, coinciding with the period of greatest expansion in call loans.

Enables More Loans

GROWTH of member bank deposits increase their reserve requirements but the extent is governed by the class of deposits and the location of the bank. The reserve required on time deposits is only 3 per cent. The reserve against demand deposits is 7, 10, or 13 per cent, depending on whether they are in country banks, a reserve city bank or a central reserve bank. Hence a greater proportion of time deposits than of demand deposits are available for loans.

In the six years ending with 1927 the time deposits of all member banks of the Reserve System increased by $6,314,000,000 whereas net demand deposits (against which reserves are required) increased by $5,650,000,000. The first half of 1928 showed a continuance of the upward trend of time deposits. The following table shows the trend.

All Member Banks
(In millions of dollars)

End of December	Net Demand Deposits	Time Deposits
1922	16,187	7,645
1923	16,356	8,651
1924	18,446	9,805
1925	19,238	10,653
1926	18,902	11,440
1927	20,083	12,765
1928 (June)...	19,167	13,439

The Federal Reserve Board has studied the continuous growth of time deposits at a rate more rapid than demand deposits. It finds that this more rapid growth of time deposits, which requires only a 3 per cent reserve, has been an important factor in the past six years in enabling member banks to increase their loans and investments by $11,000,000,000 on the basis of $756,000,000 added to their reserve balances. In its latest annual report the Reserve Board says:

Used for Security Loans

"THIS expansion during the past six years at the rate of about $15 of credit to $1 of reserve has reduced the average required reserves of member banks from 7.9 to 7.4 per cent of total deposits subject to reserve requirement. It is impossible to determine to what extent the growth of time deposits rep-

(*Continued on page* 270)

Profits in the Lumber and Furniture Industries

By D. RICHARD YOUNG

Oldest American Industry Constantly Modernizes Its Methods. Apartment House Life Influence on Furniture Business. Only 8 per cent Made on Capital in 1927 by Leading Concerns, as Declining Prices Hamper Earnings. Outlook Is Satisfactory.

MANY bankers do not appear to realize the important changes that have been taking place in the lumber and furniture industries during the last few years. Ultra-modern methods are being adopted by the oldest typical American industry, which had its beginning on the first day of the landing of the Pilgrims upon the New England coast, when certain men were tolled off to cut down trees for the building of needed shelters.

Confusion in former years over grading, names, qualities, sizes and patterns has been replaced by standardization of grading and nomenclature according to the American Lumber Standards code. The center of the industry rapidly moved from New England to the Great Lakes region, then to the South, and at the present time is exploiting the last of our great forest frontiers, in the Pacific Northwest.

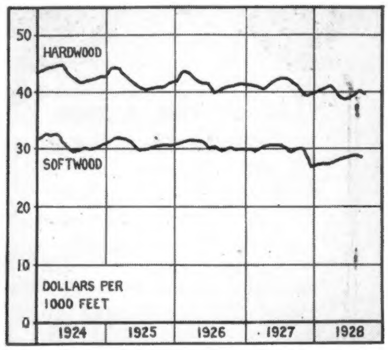
Pullman Train Lumbering

AFTER this must come reforestation, and far-seeing mills in the South and West have already worked out plans to produce a continuous supply of timber and thus place the industry on a permanent, manufacturing basis.

Living conditions in the logging camps are fast changing from the wild, unsanitary, picturesque life of earlier days to a less romantic but incomparably more comfortable state founded on the "Pullman train" camps, which include sleeping cars, kitchen cars, diners, club cars with shower baths, libraries, radios and moving pictures. Permanency, stability and efficiency thus characterize the lumber industry and its separate phases of location, timber supply, employment, classification, marketing and financing.

Similar changes are taking place in the other divisions of the industry engaged in the manufacture of furniture, boxes, and other wood products. In all there are some 7500 individual American enterprises, but with the exception of less than one per cent, they are privately owned and do not publish reports of their condition and earnings.

Following is a tabulation showing earnings over the last two years of all companies of any size that issue reports to stockholders and in the newspapers. Figures represent net profits available for dividends or to carry to surplus, i.e., after all expenses, depreciation reserves, interest charges and provision for taxes have been deducted.



Lumber prices recover moderately but are still below one year ago

In case logging operations are engaged in, these charges should also include reserves against depletion of timber, and against obsolescence of sawmill equipment that may have to be abandoned when the trees within a certain radius have been cut down. Fiscal years end Dec. 31 unless otherwise indicated.

Lumber and Furniture
Net profits—000s omitted

	1926	1927
Algoma Lumber Co. (1)..	$ *162	$ *162
American Furniture Co., Inc.	300	499
American Seating Co......	1,229	938
Amer. Show Case & Mfg. Co. (1)	*312	*312
J. Ray Arnold Lumber Co. (1)	*159	*159
Atlas Plywood Corp. (2)..	350	238
Beaver Board Cos.........	402	411
Cady Lumber Corp. (3)..	....	*250
Case Fowler Lumber Co...	125	40
Celotex Co. (4)...........	1,130	817
Chicago Mill & Lumber Co.	437	257
Davis Industries, Inc......	185	273
Dierks Lumber & Coal Co.	677	855
Evans Auto Loading Co., Inc.	530	641
Great Southern Lumber Co.	1,596	1,911
Grief Bros. Cooperage Corp. (4)	504	275
Hartman Corp............	1,414	1,013
Hutchison-Moore Lumber Co. (1)	*252	*252
Joseph Brothers Lumber Co. (1)	*238	....
Leath & Co..............	370	384
Long Bell Lumber Corp...	2,718	1,498
J. A. Mahlstedt Lumber & Coal Co. (3)	*458	316
Mengel Co.	498	510
T. J. Moss Tie Co. (4)....	279	191
National Lumber & Creosoting Co.	301	285
National Mfr. & Stores Corp. (3)	504	362
Owen Oregon Lumber Co. (1)	*233	*233
Red River Lumber Co. (1-3)	*947	*558
Richmond Cedar Works (2)	368	526
G. I. Sellers & Sons Co....	....	125
Southern Wood Preserving Co.	111	60
Spear & Co..............	870	1,150
United Dyewood Corp......	253	507
Watsontown Door & Sash Co.	*163	*58

1—Annual average. 2—Years ended June 30. 3—Includes nine months to Sept. 30, 1927. 4—Years ended Oct. 31. *Before certain charges.

Out of twenty-three companies for which comparable figures are available, eleven increased and twelve decreased their earnings in 1927 as compared with the previous year. Aggregate profits last year for the same group amounted to $12,837,000 as compared with $14,810,000 in 1926, a decrease of 13.3 per cent.

Modern Woman Dominates

GREATLY improved taste in selecting furniture on the part of the public has resulted from the study of interior decoration from books, newspaper and magazine articles, high school and college courses. An awakened sense of appreciation for American Colonial furniture has stimulated this branch of the trade and bid up prices accordingly.

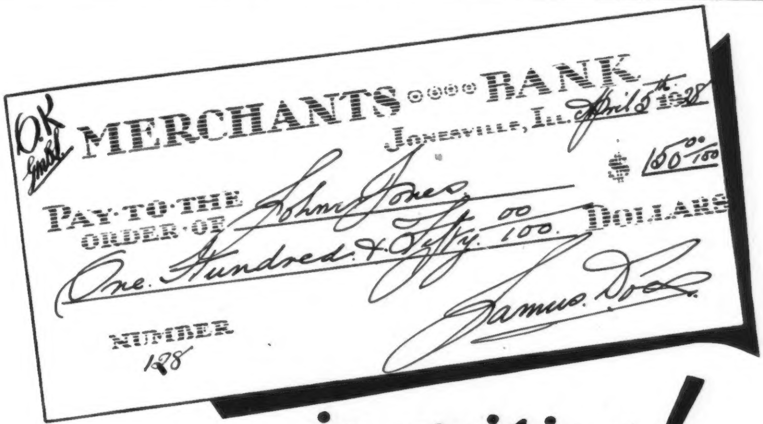
A similar interest in imported antique furniture was interrupted during the war but now causes a greater inflow than ever before. Buying is constantly becoming more discriminating and demand is not for anything and everything that is aged, but rather for pieces that show in their design a definite period influence.

If one would understand the furniture industry one should study the modern woman, for in no other class of merchandise, save apparel, do her selections dominate so thoroughly. Today many women are engaged in business and have other interests than did their mothers, whose thoughts centered in the home and its furnishings.

Flats Influence Furniture

APARTMENT house living was formerly confined to the large cities, then spread to the suburbs, and now

(*Continued on page* 245)



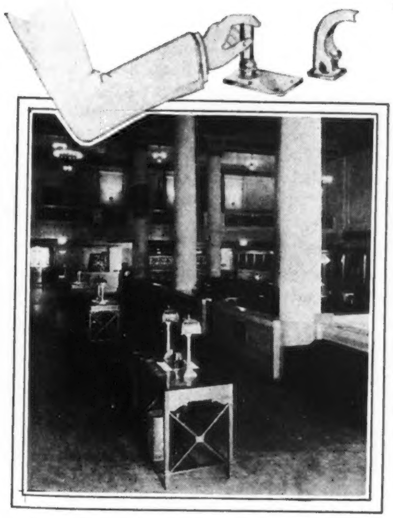
in writing / actually on the CHECK !

THROUGH Lamson Baby Tubes, checks may be sent for certification . . . balances ascertained . . . signatures verified or any question of fact answered accurately, quickly, in writing. Your customers neither sense nor hear that for which your tellers ask. And so swiftly do written questions and answers travel that distance is virtually negligible.

Lamson Baby Tubes are hollow roadways along which tiny carriers fly, unseen and quietly carrying the actual check . . . the written memo . . . between distant bank departments.

They serve with quiet regularity, free of mechanical complications. They are installed with the ease of telephone wiring and the cost of daily operation is negligible.

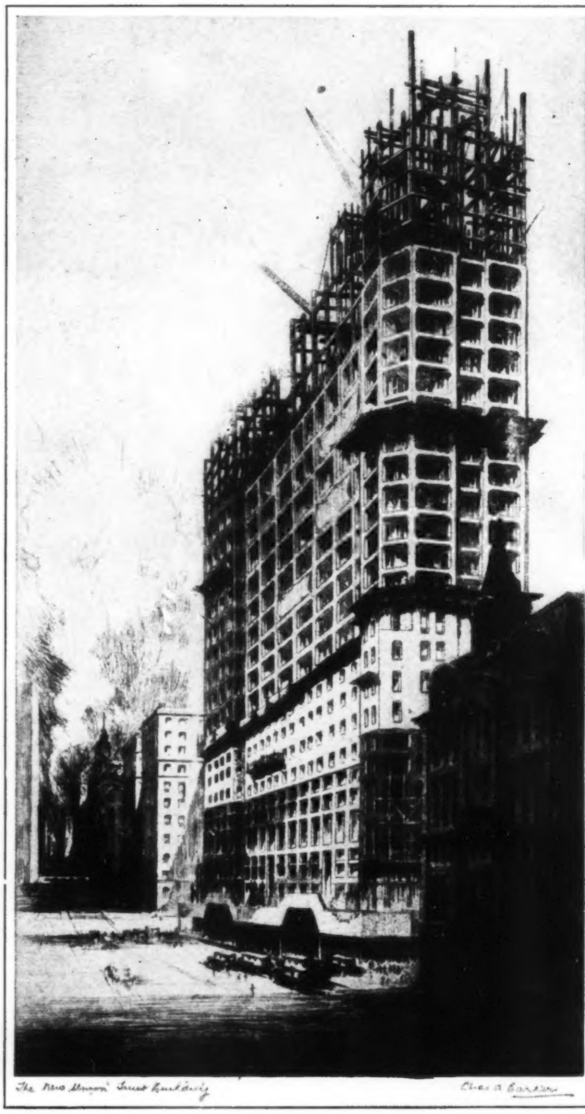
Send for our booklet describing in detail these innovations in modern banking.



THE LAMSON COMPANY
Syracuse, New York

LAMSON BABY-TUBES

PUT · YOUR · BOOKKEEPERS AT · YOUR TELLERS · ELBOW



From the original etching by Charles A. Barker

A New Dimension in Banking

By EARNEST ELMO CALKINS
President, Calkins & Holden, New York

An Additional Cost Which Has the Power to Make All Other Costs Less. What Advertising Has Done in Merchandising It Also Can Do in Banking, Rich in Material. Annual Expenditure of Advertising Now Totals a Billion and a Half Dollars.

A Prophecy

AN important new factor in business which must be reckoned with more in the future than in the past. Banks must look forward to the time when an advertising expert will be attached to their staff to appraise advertising in its relation to properties in which they are interested exactly as chartered accountants, mining engineers, public utility experts and other specialists advise them on physical and financial problems, says Mr. Calkins.

FOR a long time the attitude of economists and bankers toward advertising was something like that of the mid-Victorian mathematicians toward the fourth dimension. They were haunted by the possibilities of something they did not believe in and found difficult to prove. They could not explain it to themselves and refused to accept the explanations of others. The economist argued that the cost of advertising must be added to the cost of the goods, and therefore advertised goods must cost more than they would without advertising. The banker was called upon to evaluate a new asset in business, intangible and not easily appraised, but which often increased the profits of concerns employing it. How should bankers behave toward a form of wealth which could not be seen, weighed, measured, handled?

Advertising did not wait for these two important groups to make up their minds about it. It went right ahead increasing the flow of goods from factories to consumers. It made mistakes, it wasted money, it followed false leads, but on the whole it made good, gradually purging itself of its errors and delusions under the compulsion of competition and intensive study. Those who refused to accept it as a veritable fourth dimension in business, added to the three proved and tried ones of production, sales and distribution, found themselves in the position of the tourist in Scotland, who stuck his head out the carriage window and shouted:

"Porter, where's my luggage?"

"Yeer luggage is no sic a fule as ye, sir. Ye're on the wrang train."

Makes Other Costs Less

THE economist learned that while all costs must be added to the cost of the goods, there was one cost which had the apparently magic quality of making other costs less; that greater distribution could be obtained by advertising, and volume led to reduction in costs, and sometimes absorbed all the advertising cost, resulting in the apparent paradox of getting the advertising for nothing.

As a general proposition, the cost of machine-made products goes down as the quantity consumed increases. Quantity consumption is one of the results of advertising. Where an advertised article costs more than its unadvertised competitor a manufacturer is profiteering, trading on the demand he has created. Advertising does not make goods cost more, but some advertiser's do. But competition will take care of them. If a business becomes too profitable, it attracts competitors as molasses draws flies. That is a law more sure and more just than the Sherman Act. We see it working every day. Package goods cost more than the same goods in bulk as a rule, but the package is a service the customer has shown herself glad to pay for. The unthinking have supposed that packages were merely to enable the manufacturer to stick his label on the goods, but that while true would not explain their wide acceptance. The package preserves the contents from contamination, and affords the retailer a handy unit of sale, which saves his time and simplifies the process of selling. As a broad general rule, advertising has made hosts of articles, products, and merchandise accessible, in price and in distribution. Comparisons are difficult, because many of these devices we find so necessary did not exist a short while ago, and had no counterparts in an earlier domestic economy. A vacuum cleaner costs more than a broom, many times more, but it would not be maintained that vacuum cleaners have made sweeping more expensive. The point is that modern practice is making the cleaner as standard as brooms were once, and that cleaners could not be had for the price at which they are sold were it not possible to make a large market for them. And this possibility of making a large market, that is, of reaping a large financial reward, is responsible for the advent of many new things, and for constant improvement in existing ones. The necessity of going before the public daily with an arresting story is a constant stimulus to improve the thing talked about. Thus we changed from the broom to the vacuum cleaner, from ice to electric refrigeration, from ill-smelling yellow soap to laundry chips, from lard to vegetable shortening, from home preparation of every food to factory-made products better than the average home could produce, (to say nothing of the labor saved), and the result has been to raise the standard of living and lift the burden of drudgery from a large fraction of the human race.

Extravagant Advertising Defeats Itself

SOME advertisements are over optimistic, exaggerated, extreme, and misleading. This is recognized as an abuse of advertising, and while efforts are being made to correct it, nothing is truer than that extravagant advertising defeats itself. The public has gone along with us. There is a large body of buyers which approaches advertising with justifiable scepticism. It is learning to discriminate. There is nothing an advertiser fears so much as adverse public opinion. We reckon with a vastly different public from that which read our announcements in the old days. Advertising has educated it. It sees sincere and boastful advertising side by side, makes comparisons, and draws its own conclusions.

The banker was even more perturbed than the economist. It was a condition which confronted him, not a theory. The economist had only to argue about it, but the banker had to act on it. The economist was generally concerned with its effect on the public, on the cost of things, but the banker dealt with businesses that employed advertising, and the advertising created new values

which while real were difficult to classify. A business once consisted of certain tangibles, plant, machinery, warehouses, salesrooms, stock on hand, bills receivable, surplus cash, which might be tabulated and balanced against liabilities of the same character. Money spent in advertising bought something, but what? How could it figure in a financial statement? To experienced advertisers the money spent to build good will, to create a demand for their products, was the most dependable of their assets. Factories might burn, destroying machinery, stock, patterns, blue prints, everything that constituted a business in the old days, but the impression made on the public remained, and was more valuable than all the property that was destroyed. The right to make a soap, and call it Ivory, a can of beans and call it Heinz, or a box of soda biscuits and call it Uneeda, was worth large sums of money, and similar rights have been sold for large sums. One did not need the original soap or beans or soda biscuit. One needed only the name. The name was valuable because the public knew it favorably. An equally good article could take its place and enjoy its sale. When Procter & Gamble put out a new soap or Heinz a new food product, or National Biscuit a new cracker, there is a certain ready acceptance on the part of trade and public. Hundreds of thousands of dollars of expensive introductory work has already been done. This value of a known name is a factor in American business.

Four Words Killed Him

A FEW years ago a man died at his country home on Long Island. Four words in an advertisement killed him. He was the head of a large industry with many strong competitors. He persisted in running a trailer in all his advertisements which reflected on the product of one of the largest and strongest of these competitors. He was asked to withdraw it, and warned when he refused. The rival undermined him, bought his company out from under him, obtained control, threw him out, put in its own organization, and cut those four fatal words out of the advertising. The deposed president took to his bed and never left it.

A young publishing house bought the manuscript of a peculiar book, a collaboration between a seventy-year-old African trader and a woman author. The old trader lived in a lodging house and peddled kitchenwares from door to door. A short time after the publication of his book he was receiving an income of $4,000 a week. The rewards of literature? Not a bit of it. The book was odd, unusual, unconventional. It complied with no known literary standards. It gave some novel aspects of life, and there was a shrewd vein of what is known as corn-cob philosophy running through it. But its success was due to advertising. The author was far more interesting than his book, and his publishers took full advantage of it. Their advertising so piqued the curiosity of a nation that the book sold in the hundred thousands, a five-dollar book. Its success could and can be duplicated. Every publisher has at least one book on his lists as good as *Trader Horn*, as worthy of and susceptible to exploitation. *Trader Horn* was unusual, but not nearly so unusual as the advertising that made it a best seller.

As an instance of the way that advertising, that is the urge to a greater market, commands science and invention and stimulates the wits, observe this story, which might be entitled "The Birth of Duco." An officer of the Cadillac Company called together his group of chemists and told them that the motor car, and particularly the Cadillac, could never attain quantity production while it took so long to finish a car—that is to paint and varnish it. The method of painting, varnishing, rubbing, and intervals of drying consumed thirty-eight days. That period, the officer went on to say, must be shortened. One of the chemists ventured to predict that it might be possible to cut off five days of the operation.

"Five days," exclaimed the officer, "I expect you to find a way to do it in one hour!"

Incredible as it may seem, that is exactly what they did do. The quick-drying spraying lacquer was produced, which not only cut down a necessary operation to one-thousandth of its original time, but was a better finish for its purpose than the old slow-drying method.

Banking Is Rich In Material

SUCH are the stories with which business bristles, and makes it an interesting occupation for its devotees. Advertising has had to dig them up. That is its job. Manufacturing is no richer in things worth telling the public than banking, but banking has just begun to look at itself with an inquiring eye. It will find under the pressure of seeking things to say to its customers that the story of banking has not yet been told, nor for that matter has the capacity of a bank for serving a community yet been reached. Advertising will develop banking, lead it into fresh fields and pastures new, the new story will develop as it goes along—just as it has done in industrial enterprises. New things to do will come as the bank modernizes itself and gets nearer the stream of life.

Advertising is not merely that which is printed in mediums. The chain stores, department stores, and public utilities are teaching us that the friendly, genial, human manner of the employees of an enterprise, anything that makes the customer feel comfortable, politeness, courtesy, good will, obligingness, are as powerful in selling goods or service as the printed word.

The Receivers Advertised

NOT very long ago a holding company went into the hands of a receiver. One of its subsidiaries had been advertising for ten years. It was doing a handsome business and showing a good profit. This subsidiary was the only asset the parent company had. The receivers authorized the subsidiary company to go ahead with its liberal sales and advertising plans. It did so and later the advertising was even increased. Throughout the eighteen months of its operation under the receivership it showed a growing profit. It was finally bought (by a group of bankers) which relieved it from its association with the less fortunate (and unadvertised) members of its group, and it is now one of the leading industries of the country. Unfortunately for the complete moral of this story, the receivers were not bankers. They were lawyers, a fact which makes it all the more wonderful, for lawyers have been slower than bankers to take any account of advertising. But the receivers were appointed by agreement with the bankers interested, and the program adopted had their full approval.

In the old days the first thing a receiver did was to cut down the advertising, preferably and more often, cancel it altogether. The idea was to prune unnecessary expense. It was not realized that advertising was the life blood of a business. Some of them died under the operation. This may not be the first instance, but it is the first of which I ever heard, where the receivers of a bankrupt business considered advertising necessary for conserving and increasing the assets of the business in their custody. It is part of the recent and modern attitude of bankers toward a form of wealth which while not entirely new—some very old businesses possessed the kind of good will that advertising creates—has never been utilized on so large a scale as at present.

Advertising Compared With Plant

ADVERTISING men recall the discouraging years in which attempts to interest bankers in advertising were fruitless. Advertising to many of them was just an expense, and often an unnecessary expense. They looked with greater favor on money put into plant or machinery, and yet plant and machinery are liabilities, until sales take care of the increased production. Advertising is a far more logical investment, a more active source of profit than enlarged facilities can possibly be. It is far easier to increase production than sales. These things seem obvious to men trained in advertising.

Not only are bankers becoming advertisers but some advertising men are becoming bankers. Now and then you see among the boards of directors the name of a well-known advertising agent. Instances multiply of bankers advising customer businesses to advertise. The other day the bankers of New Orleans told the rice growers that unless they advertised and made a market for their product, the bankers would not loan them money.

(*Continued on page* 266)

No ledger lifting for her

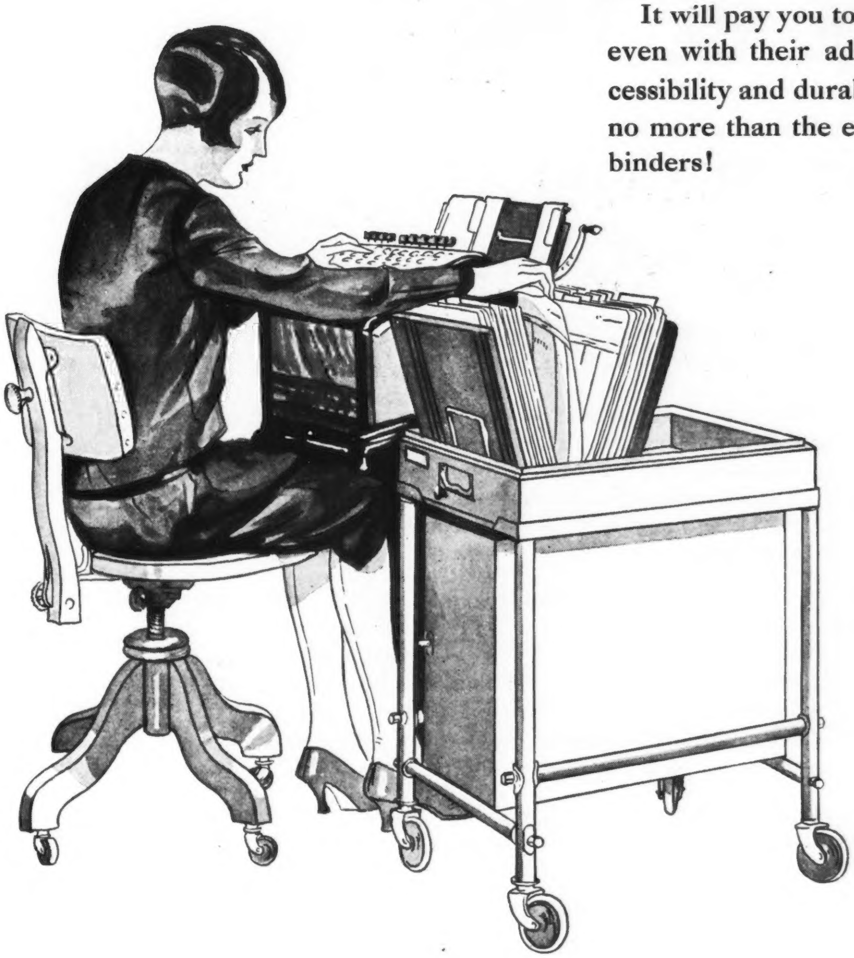
This "Y and E" Tray rolls on casters

WITH a capacity equal to three ordinary binders, this tray can be rolled right to the operator's side without the least effort.

And its contents are always visible, accessible—handy to work with.

If you are not using these time-saving trays, mail the coupon and let us send you full particulars.

It will pay you to investigate, because, even with their added convenience, accessibility and durability, these trays cost no more than the equivalent capacity in binders!



"Y and E"

YAWMAN AND ERBE MFG. CO.

985 JAY STREET ROCHESTER, N. Y.

Steel and Wood Filing Cabinets—Steel Shelving—Desks—Safes—Office Systems and Supplies—Bank and Library Equipment

YAWMAN AND ERBE MFG. CO.
985 Jay St., Rochester, N. Y.

☐ Please send me your folder on Ledger Trays.

☐ I am attaching sample of ledger cards or sheets. Please submit quotations on ....M.

NAME..

ADDRESS..

Profits and Costs of New England National Banks

By ANDREW MILLER

Earnings of New England National Banks Surpass the Average. Situation Different Among Boston Institutions Survey Shows. Comparative Study of Conditions In This Section Considered As Offering To All Banks Indications of Underlying Trends.

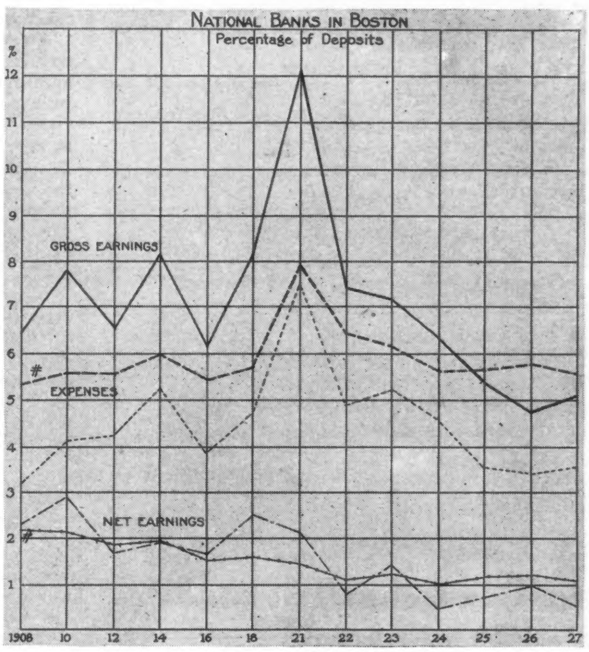
IN analyzing the record of the national banks in the New England states, exclusive of the city of Boston, for the last twenty years, one is impressed by the sustained level of net earnings as a percentage on capital and surplus. This rate has not been on an exceptionally high basis, but it has been ample to return substantial dividends to stockholders over the last two decades. That this rate has been steadily maintained is an evidence of the sagacity of the bankers in that district. It will be found interesting to make a detailed review of their history to find how these bankers managed to accomplish this result, especially during a period when such drastic changes have taken place in all important factors of bank administration.

Over the twenty-year period, 1908-1927, total deposits of national banks in the First Federal Reserve District outside of Boston grew from $254,433,000 to $959,254,000, which is an increase of 277 per cent. During this same period their gross income as a rate on earning assets substantially decreased, although it is found to have been considerably higher than the average return for all national banks as a whole.

Their percentage of expenses is found to have been unusually high throughout the entire period covered by this analysis. Strangely enough, the banks in this district did not show a high peak in their earnings or expenses during the war period, especially for the year 1921, when almost all banks showed extraordinarily high figures in all items except those of net profits.

Interest Chief Expense

DURING the past four years when the expenses incurred by national banks throughout the country have decreased to a somewhat lower level, those of the banks in the New England states have remained from ¾ of 1 per cent to 1 per cent above the average. An examination of their total expenses, as published in the Comptroller's Reports, indicated that the high expenses are attributable chiefly to the large amounts paid out as interest on deposits. As an example it is noted that for the state of Maine alone such interest payments absorbed over 45 per cent of gross income in 1925, 1926 and 1927.



Note: ‡ indicates all national banks of the United States

Fortunately, the loss record of banks in this community has been remarkably favorable, varying only slightly over the national average in one or two years and in some years being less than the average. If these banks had suffered losses similar to those sustained by banks in other parts of the United States, severe inroads would have been made into their net earnings.

These net earnings have consistently been substantially higher than the national average, but their trend during the past twenty years has been in line with that of other banks throughout the country. For instance, in 1908 their net return was 3.73 per cent of total deposits and by 1927 it had decreased to 1.36 per cent. The decrease has been a gradual change spread over the entire period, notwithstanding a steady and substantial increase in deposits.

Wide Margin of Protection

IT is clearly apparent that banks in this district have been able to keep up the rate of net earnings on their invested capital by vastly increasing their line of deposits, with only a relatively slight increase in investment. By this it is not implied that their position is other than an extremely conservative one, because the combined figures as of June 30, 1927, show a ratio of approximately 7 to 1 of deposits to capital and surplus, affording depositors a wider margin of protection than the national average, which was 8.16 to 1 on the same date.

When we turn from an examination of the New England states as a district to the figures for the national banks in the city of Boston, an entirely different state of affairs is found. Here, as in the New England states, has been experienced a most gratifying increase in total deposits. In 1908 deposits for the 22 national banks in Boston, as given in the Comptroller's report, were $155,786,000. In 1927, with one-half the number of national banks, these deposits had increased 400 per cent, to $775,603,000. In both instances the relation of deposits to capital has been conservative, that for 1927 being 8.23 to 1 against the national average of 8.16 to 1.

In computing the rate of gross income to earning assets one is struck by the extreme variance from year to year. These figures will be found included with

other percentages in the accompanying table:

National Banks in New England Outside of Boston

Percentage of Deposits: Gross Earnings	Expenses	Net Earnings	Percentage of Capital and S'plus: Net Earnings
8.67	3.53	3.73	8.06
7.56	3.55	3.20	7.60
6.74	3.59	2.54	6.66
7.44	4.03	2.20	6.41
6.60	3.86	1.97	7.85
6.72	4.30	1.88	8.20
6.62	4.35	1.34	8.37
7.92	5.45	1.71	8.51
7.13	5.07	1.52	8.53
6.67	4.75	1.45	9.12
6.88	4.94	1.44	8.93
6.82	4.86	1.45	9.61
6.50	4.62	1.36	9.49
National Banks in Boston			
6.44	3.14	2.31	7.84
7.78	4.14	2.89	11.94
6.49	4.27	1.67	4.67
8.12	5.31	1.83	6.73
6.22	3.93	1.66	8.83
8.23	4.73	2.52	12.22
12.07	7.49	2.17	8.38
7.41	4.88	0.72	3.58
7.12	5.14	1.46	6.79
6.34	4.56	0.47	3.03
5.45	3.59	0.71	5.46
4.76	3.38	1.02	9.01
5.08	3.53	0.52	4.31

Here we find the extreme high figure of 12.07 per cent in 1921 and the very low figure of 4.76 per cent in 1926. This fluctuation in the rate of gross income might reasonably be expected to reflect in net returns on invested capital funds, and such is the case. These rates range from 3.03 per cent in 1924 to 12.22 per cent in 1918. Both total expenses and losses sustained have had much to do with the variance of returns on net funds. In an old established banking center like Boston it might reasonably be expected to find greater certainty of earnings. Unquestionably the many changes that have taken place in the business world have left their marks on the banking record of this city.

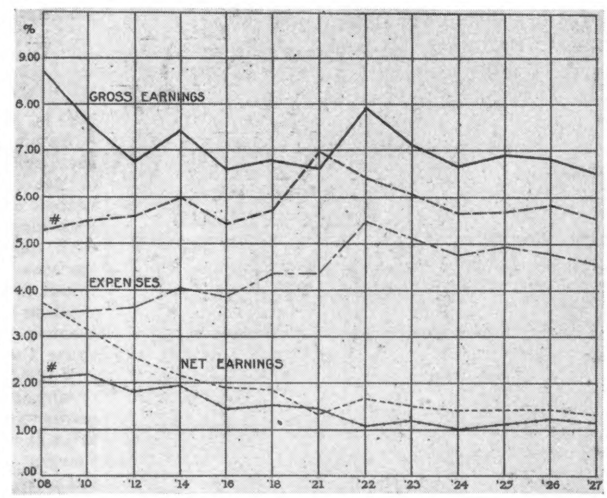
Difficulties to Solve

IT is greatly to the credit of Boston bankers that they have been able to keep their expense percentages down to a level which would permit of some profit to their stockholders. For the past three years if these percentages had been as high as the average throughout the country, and particularly as high as in the adjoining New England states, there would have been little if any net earnings.

Coupled with these other difficulties has been a loss ratio considerably above the national average for the past seven years. When we recall that the national banks of the country in normal years allow about .52 per cent of deposits for depreciation and losses, and have steadily held to approximately that percentage during twelve out of the past twenty years, it will be realized that national banks in Boston have had their own difficulties to solve. In order to get their business back to a basis of normal net earnings, they will have to show increased gross earnings, keep their expenses on about the present basis and reduce their charge-offs to approximately .50 per cent of deposits annually.

It will be found interesting to examine the charts showing the comparison of the figures of the Boston banks with the other banks in the New England states as well as with the national average.

These comparative studies of costs and profits are made for the purpose of ascertaining trends in the various parts of the country and to see wherein differences exist that can be studied to the advantage of all banks. Good banking is far more than building up imposing totals. The proper relationship of all important factors of administration will tend to make banking more stable and in a position to meet changing conditions and the requirements of modern business.



National banks in New England outside of Boston

Convention Calendar

Date	Other Associations	Place
Sept. 12-13	Kentucky	Louisville
Sept. 19-21	Indiana	Gary
Oct. 17-18	Nebraska	Omaha
Oct. 26-28	Arizona	Globe

Date	Other Associations	Place
Sept. 17-20	Financial Advertisers Assn.	Utica, N. Y.
Sept. 18-19	National Publishers Assn.	Shawnee-on-Delaware, Pa.
Sept. 30-Oct. 4	Assn. of Bank Women	Philadelphia, Pa.
Oct. 1-4	American Bankers Assn.	Philadelphia, Pa.
Oct. 17-20	Pacific Regional Trust Conference	San Francisco, Cal.

Not Sponsored by the Association

OUR attention has been called to a circular dated at Philadelphia, Aug. 29, 1928, bearing the following headlines:

"American Bankers Association Convention, Philadelphia, October, 1 to 4, 1928"

"A-B-A-Exhibit, Inc.,
Bankers Trust Building, Room 1225,
Juniper and Walnut Streets,
Philadelphia, Pa."

The circular announces a "Bankers Equipment Exhibit" to be held at former Phila-Fidelity Trust Co. Building, 1431-1433 Chestnut Street, Philadelphia, in connection with the 54th Annual Convention of the American Bankers Association. The circular states that the exhibit will be viewed by the largest gathering of bankers in the history of the American Bankers Association, that space will be leased to a selected number of exhibitors and requests the addressee, if interested, to communicate or wire at once for floor plans and blank contract forms.

A few of our advertisers to whom this circular has been addressed have communicated with the publisher of the JOURNAL in the belief that this so-called "A-B-A-Exhibit" has been authorized or is sponsored by the American Bankers Association, and knowing the policy of the Association not to conduct or approve exhibits of any such kind in connection with its annual conventions, have made inquiry as to any change of policy.

It is, therefore, due to our advertisers to state that the American Bankers Association has not authorized nor sponsored any such "A-B-A-Exhibit" and that any impression to the contrary which may be derived from the use of the title "A-B-A-Exhibit, Inc.," in connection with an announcement of the forthcoming Convention, is erroneous.

Bank Library Exhibit

AN exhibit of a fully equipped bank library will be held by the Special Libraries Association in connection with the American Bankers Association Convention in Philadelphia, Oct. 1-4, 1928.

Two similar exhibits have been held. Bankers throughout the country have expressed great enthusiasm for this opportunity to consult organized financial literature.

It is an opportunity to learn who are considered the best authorities in a specific field, what is new in finance, economics and business, and to acquaint one's self with the outstanding periodicals and services in banking and finance.

The lobby of the headquarters hotel was chosen for the exhibit, so that the delegates can consult the books and browse at their leisure. There will be a staff of bank librarians in charge to answer all inquiries. A booklet explaining the services and value of the library to the bank, with a select list of books and periodicals for a completely organized library, will be distributed.

An equipment that inspires *trust*

TRUST is the most important word in the banking world today. No financial institution can exist without it. The very name TRUST is based on the implicit recognition of this fact.

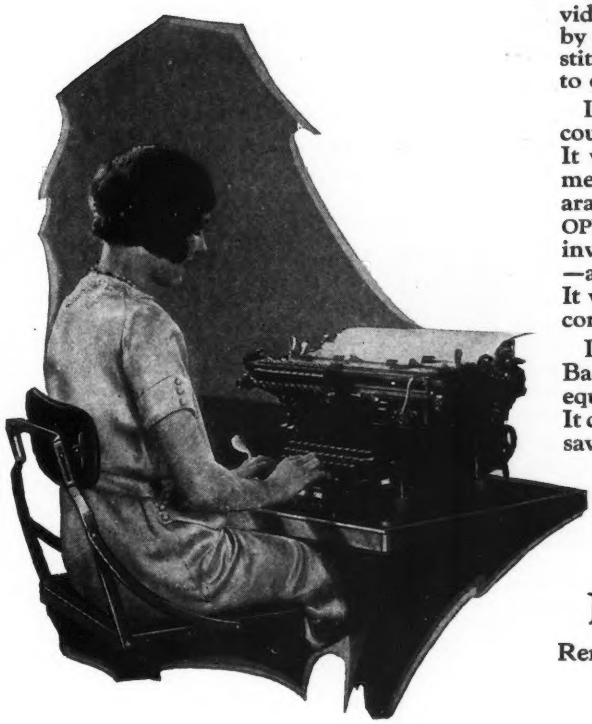
Of all divisions of banking, the *Trust Department* demands and needs the most complete and efficient accounting system—one that will deserve the trust of the bank and insure the trust of its patrons.

The Remington Bank Bookkeeping Machine provides this system—a fact which is conclusively proved by the experience of many of our largest banking institutions. One and all have found it specially adapted to every need of Trust Department Work.

Its advantages are many. It will handle every accounting record and is adaptable to every requirement. It will write, post and balance the customer's statement and ledger, together with audit sheet, with separate balances on Principal and Income—ALL IN ONE OPERATION. It will post and balance your securities inventory records and the asset and liability ledgers—also the cash receipts and disbursements records. It will write checks and do any other work requiring combined writing and adding.

In ease and simplicity of operation, the Remington Bank Bookkeeping Machine is unrivaled and it is equally supreme in durability and low cost of upkeep. It combines the very highest speed, efficiency and cost saving with the most complete accuracy insurance.

A demonstration will convince you that this equipment is what you need in your trust accounting department.



Remington Typewriter Division
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Remington Bank Bookkeeping Machines

Accounting Machine Department

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Inter-American Relations and the Dollar

BY G. BUTLER SHERWELL

Loans to Latin-America Have Linked Two Continents Together. Dollar Investments Producing Better Mutual Understanding Between United States and Southern Republics. Voluntary Character of Credit Extensions Precludes Any Imperialistic Trends.

Investing in Friendship

LATIN-AMERICA now turns to the United States for capital instead of to Europe, where nearly all of this financing was done before the World War. The result is a gradual cementing of the interests of North and South America. Many Latin-American countries desiring foreign capital, says Mr. Sherwell, are particularly desirous that such capital come from the United States.

DURING the years immediately preceding 1913, the Latin-American countries were in general liberally financed by England, France, Belgium, and Germany, with some contributions of capital from other countries. Commercial and financial rivalry between European nations placed borrowing Latin-American countries in an advantageous position. A number of public works and railroads were built not because they were actually needed but because money was cheap and easily obtainable.

The outbreak of the war suddenly cut off the free outflow of European capital and unpleasant results followed in Latin-America. Among the larger countries, liquidation of investments became widespread. The foreign commerce of practically all of the Latin-American countries, large and small became dislocated. Consequently, fiscal revenues suffered a considerable reduction and a decline in the exchange values of their currencies was registered.

Our Stake in Latin-America

THROUGHOUT Latin-America, government officials, bankers and directors of railways, public utilities, mines and plantations turned hopefully to the United States as a possible source of capital to span over the financial difficulties occasioned by the war. They did not look wholly in vain. Over $52,000,000 in loans to governments and corporations were placed in the United States in 1915, as compared with a total of only $500,000 in 1913. In 1917 the total reached nearly $87,000,000. In 1926 it reached the enormous sum of about $459,000,000, and last year a total of some $434,000,000 were lent to our neighbors to the South, through investments in stocks and bonds.

In 1913 the total amount of American capital invested in Latin-America was estimated at $1,300,000,000 distributed principally among plantations, railroads and public utilities. A relatively small percentage was represented by loans to governments. Today, our stake in that section of our continent has been conservatively estimated at $5,000,000,000 in round figures. Expressing it in different terms, American investments in Latin-America amounts to about 37 per cent of the total American investments in foreign countries estimated at $13,600,000,000 at present. It is evident that these investments have become an important factor in our political economy. They give rise to perplexities of a political nature which can hardly be looked upon with indifference.

American investments in Latin-America may be divided into two classes: in the first class the investor becomes a creditor, in the second, a proprietor.

Covering Budget Deficits

THE "creditor investments" are represented by advances of money in return for a promise from the borrower to pay back the principal within a specified period. They may be roughly divided into two groups. The first group comprises loans to governments or government guaranteed loans to semi-official institutions and to the second group belong loans to private corporations or individuals.

Analyzing the first group, it is found that American loans have not only been a resource to Latin-American Federal, state and municipal governments in the solution of their financial problems, they have done constructive work in the various countries in the shape of public improvements and development works. Considerable criticism has been heard regarding the purpose for which a number of loans to Latin-American governments have been used. Investments in chronic budgetary deficits or to finance the purchase of military or naval equipment cannot be considered as desirable from the point of view of sound economics. Still, a considerable percentage of the proceeds of loans to these governments is known to have been used for purposes of that character.

The practice followed by a great number of Federal, as well as provincial or municipal governments is to cover their budget deficits by the issue of local bonds, certificates or simply by accounts opened with local banks, all of which usually bear high rates of interest. When the amounts owed reach such proportions that difficulty in obtaining additional credit is experienced, or the burden imposed upon the treasury on account of excessive interest rates reaches an unbearable state, the respective governments resort to foreign financing as a means of reducing the rate of interest paid on money borrowed and regaining their credit. In order to conceal the fact that the loan was floated to straighten out a difficult financial situation, the amount is usually made large enough to cover expenses in connection with some public work and emphasis on this latter purpose is given in the loan prospectus.

Financing Governments

ALTHOUGH hardly any of the political misunderstandings between the United States and Latin-American countries may be traced directly to loans placed by the governments of our southern neighbors with American bankers, a certain degree of interest and concern has necessarily manifested itself in some branches of our government regarding this type of investment. Early in 1922, the State Department requested bankers to keep it informed regarding contemplated foreign loans "in view of the possible national interests involved" and in

order to give the Department an opportunity to object. In 1926 the State and Commerce Departments refused to approve a loan to the State of São Paulo, Brazil, for coffee valorization purposes. The loan was objected to because although it was to be made allegedly for the purpose of the establishment of a bank, it was evidently intended to keep coffee prices at artificial levels. The action of the State and Commerce Departments, however, did not prevent the sale in the United States of a portion of the coffee loan which had finally gone to England.

It is difficult to advance an opinion as to whether the American government will be able to continue indefinitely its attitude of semi-aloofness toward the dollar financing of Latin-American governments. As Senator Glass of Virginia has pointed out, the Federal government has no general constitutional power to prescribe the conditions under which American private capital may be invested in Latin-America, or in any other section of the world. An exercise of such a prerogative might conceivably be upheld in times of war or be eventually justified by courts as an application of the commerce regulating power.

Great Complexities

THE second group of American "creditor investments" in Latin-America comprises loans to private corporations or individuals. By this are meant loans floated in the American money markets to be used by a privately owned corporation or individual in Latin-America, either native or foreign, for purposes of development or to finance the ordinary affairs of the concern for a certain period of time. Loans to privately owned enterprises may be divided into two groups. To the first group belong loans made to enterprises exploiting a concession or a franchise granted by the local government. To the second group belong loans made to concerns developing an enterprise acquired by outright purchase or developed without government subsidy or assistance.

To the first group belong loans made to fruit companies, oil companies, and transportation or other enterprises working under franchises or otherwise linked with the local government by contracts or agreements. The second group comprises loans made to privately owned plantations, manufacturing concerns or commercial enterprises. In these types of investments the lender has a better opportunity to analyze and judge the risk he is undertaking than in the case of investments in government loans. It is easier to pass judgment upon the statement of condition of a corporation, prepared by expert accountants and under the supervision of representatives of the stockholders than to pass on a government balance sheet with all the intricacies peculiar to fiscal accounting.

The second class of American investments in Latin-America, in which the investor becomes a proprietor, offers great complexities and is of considerable importance as being responsible for a greater number of our international complications and misunderstandings with Latin-America. This is due to the nature of the organization of these investments and their relation with the government of the United States and the governments of the countries in which they operate. This class of investments may be divided into those of companies working under franchises granted by the local governments, such as railroads and public utilities and those of companies working under concessions granted by the same governments, such as a number of fruit companies, oil companies and a certain type of mining undertakings. For the purpose of this discussion, a practical distinction between a franchise and a concession will be made which may not be strictly according to the accepted legal definitions.

Mutual Advantages

FOR the sake of convenience, the term franchise will be used to denote privileges and bounties granted by a government to develop enterprises for the benefit of the people in the community in which they are to be operated. The activities of these corporations are closely supervised by the authorities and governed by special legislation. These companies are usually stock companies, the stock of which may be purchased in the principal stock exchanges of the United States. To this group belong a number of railroad companies, water power companies, telephone and telegraph companies, and other public utilities. It is clear that because railroad and public utility companies are established primarily for the service of the community in which they are operated, the government and the people of that community are interested in the welfare and prosperity of that class of enterprise. The local government is able to legislate upon their manner of operation and the control of their activities. Difficulties may be easily settled in the local courts. Furthermore, a certain portion of the stock of the company is usually purchased by local capitalists.

A community of interests is thus formed which usually results in mutual advantages and good understanding between the entrepreneurs and the people whom they serve. It is a curious fact that the economic development in the most advanced Latin-American countries has been due to foreign capital attracted by government franchises of the type just described. The railroads of South America built by European capital and those railroads of Mexico built by American dollars are the direct product of franchises which in many cases were not as liberal as those granted to American railroads by the American government. No evidence may be found to show that investments of this type have been directly conducive to disturbances in the financial and political relations between the United States and the Latin-American countries in which they are to be found.

The Backward Areas

A DIFFERENT situation prevails in the case of investments in concessions. For the purpose of this discussion they will be defined as those of companies or individuals who have obtained grants, privileges and bounties from governments to exploit an economic activity designed not primarily for the benefit of the country in which they are established but rather to serve the interests of distant countries. The fruit companies of the Caribbean do not produce bananas for consumption in Central America but for consumption in the United States. The oil companies operating in Mexico under concessions since 1917, market only a fraction of their output in the Mexican Republic. They serve foreign markets principally.

An analysis of this type of investment reveals that it is found chiefly in the economically backward areas of Latin-America and has been the source of a good deal of the misunderstandings and difficulties existing at present directly between the government of the United States and those of the countries where concessions are in vogue, such as those of Central America and Mexico, and indirectly between the government of the United States and those of Latin-America in general. There is no doubt that as in the case of companies working under franchises, great benefits are brought by the exploiters of concessions to the countries in which they operate. Hospitals, schools, railroads, roads, wharves, substantial buildings, sanitation, improved living conditions, etc., are evidences of the material progress which a number of concession enterprises has brought to the country where they are operated.

It remains to be decided, however, whether such material benefits can be made to balance certain objectionable features involved in the character of their organization and the result of their operations in the fiscal affairs of the concession-granting country. Let the fact be emphasized that concessions thrive best in the economically backward areas of Latin-America.

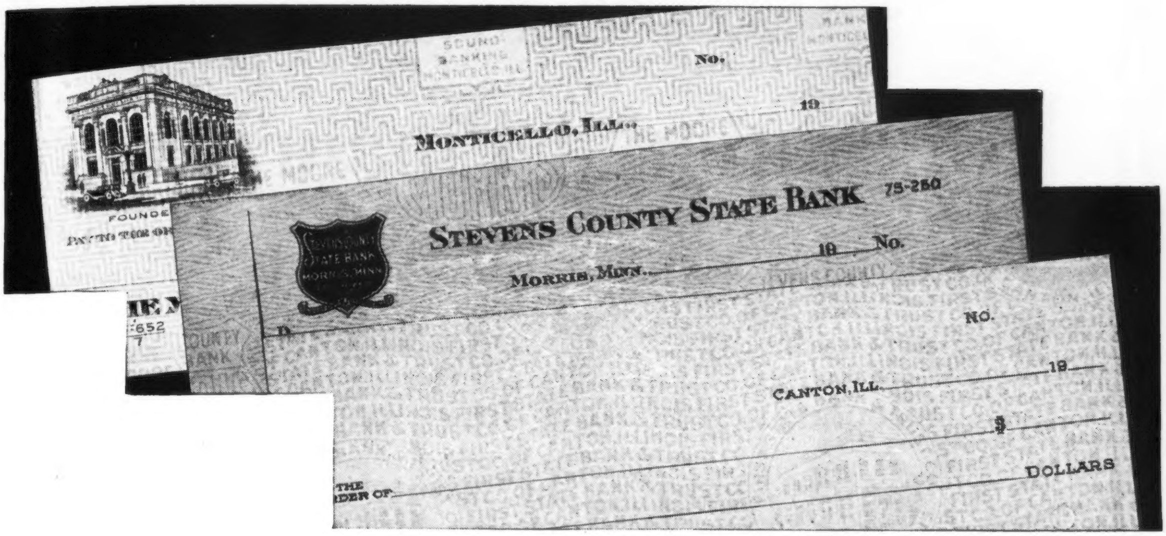
Concessions are by no means unknown in countries outside of Central America, although in a somewhat modified form. The Mexican government since 1917 has regulated the exploitation of its oil resources by means of concessions. Venezuela and Colombia are also open to concession hunters, but not widely open, for concessions there are regulated by legislation and the governments are assured of a fair return from the exploitation of the countries' resources.

Trade Follows the Dollar

THE United States has reaped considerable benefits from its Latin-American investments. Inasmuch as the investing capitalists are most familiar with the products of their own country, are naturally prejudiced in favor of their own nationals, and are

(*Continued on page* 242)

HANDSOME, *INDIVIDUALIZED* CHECKS WITH YOUR OWN EXCLUSIVE DESIGN



HERE is a new, distinctive, entirely different check—a check that is made-to-order to represent your bank *exclusively*. The background is made up of a special pattern in which is incorporated your private trade-mark, monogram or a characteristic symbol of your service. The special individual pattern as well as the private symbol or medallion is confined solely to you in your territory.

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Canadian Banks Expanding Branches

By W. A. MCKAGUE

Growth of Population is the Governing Factor in the Expansion of Branch Banking in Canada. Experience has Taught the Dominion that There is a Limit. Better Times are Bringing Bigger Numbers. System Seems to Fit Needs of the Northern Country.

THE chartered banks of Canada are again increasing the numbers of their branches, after five years of strict retrenchment. Growth of the country has caught up to its banking facilities and now is making new demands.

But the present movement is marked with caution. The lesson of over-expansion has been firmly impressed upon the present generation of bankers; and some important changes in the economic life of the country have brought a permanent change in bank policy.

The present movement dates from the beginning of 1927, as the following figures illustrate:

	Branches Opened	Branches Closed
1921	207	193
1922	78	274
1923	82	320
1924	93	258
1925	69	218
1926	69	116
1927	120	31
1928 (6 months)	66	17

It is clear from these figures that the branches without profits, or without reasonable prospects of profits, had been pretty well closed out by the end of 1926.

This change is a return to the movement of expansion which marked Canadian banking from 1900 to 1921. The developments of the five-year interval are a striking contrast to the general growth in banking. The chart herewith shows the relation between the population of the country and the number of bank branches.

Over the Border

PIONEER bank development in Canada is in the hands of the large banks who can afford to open offices in communities destined to grow, but where local capital is unprepared to carry the burden of early years. Canada finds that branch banking is governed by the law of supply and demand for service, yet the big banks can be the first on the ground. The trend is now upward, the branches expanding with the economic life of the Dominion.

Rate of Growth

FROM 1870—just after the separate Provinces had been brought together into the Dominion of Canada—up to 1900, growth was comparatively slow. Population increased from 3,689,257 in 1871 to 5,371,315 in 1901, a gain of just 50 per cent. Bank branches increased from 140 to 750, a gain of over 400 per cent. From one branch for every 26,000 of population in 1871, they increased to one branch for every 7000 of population in 1901.

After 1900 a new pace was set. Population in these past twenty-eight years has grown to about 9,500,000, a gain of 80 per cent. The number of bank branches reached over 4600 in 1921. This was over six times the number in 1901, and provided one branch for every 1900 people at that time.

The economic feature of the period following 1900 was the opening of the Canadian west. The Canadian Pacific Railway had gone through to the Coast some time before, but after 1900 branch lines were rapidly built in all directions and most of the lines now comprising the Canadian National system were constructed. Settlement spread widely over the Prairies. The banks had to take part in the movement. There was little money accumulated for deposit, but there was a good demand for loans at high rates, and the banks were willing to build for the future. By 1921 the banks had over 1200 branches in operation in the three Prairie Provinces.

Effect of Deflation

EVEN the War, which for more than four years drained Canada's man power and financial resources, did no more than halt the increase in branches. The dollar volume of business was greatly increased, and the banks had to handle war loans, remittances to and from the overseas troops, and much other additional work. They were almost obliged to keep all their branches going, and comparatively junior men were pressed into managerial posts to take the place of those gone overseas, while girls did much of the clerical work.

Just after the War, with men returned from army service, and with the volume of business and prosperity at a level not formerly attained, the banks opened new branches at an exceedingly rapid rate. In 1919 no less than 900 new branches were established. There was a brief period of very keen competition for new locations.

Then came the reckoning of deflation, involving the banks with every other line of business. Their attention centered on preserving and liquidating assets, the banks quickly stopped their branch expansion, and began to withdraw. They realized that some of the older communities which were not growing had more bank branches than could pay, and that in many newer centers they had over-discounted the future.

Mergers Reduce Branches

THE Canadian banks came through the stress with a good record. Hidden reserves no doubt suffered, and in a few cases the published reserves were reduced, but most of the banks were able to maintain their dividend records unbroken. A comparatively small bank—with seventy odd branches—failed in 1923. One of the most important results, however, was a series of six mergers from 1922 to 1925 inclusive. They were not all forced, but were rather due to considerations of economy and profit which were so important at the time. These mergers brought about 1400 branches under new control; there were many duplications, and the closures of the period may be largely traced to this source.

It is a notable contrast that while these mergers took place in a time of business depression, the other period in which bank mergers was most rapid, 1901 to 1913, was the one in which the growth of Canada was greatest.

The net result was that the banks had, at the end of 1926, 3781 branches in

(Continued on page 249)

Federal Reserve Policies

As Explained by Governor W. P. G. Harding, Federal Reserve Bank of Boston

FURTHER light has been cast upon Federal Reserve policies of the past year by Governor W. P. G. Harding, of the Federal Reserve Bank of Boston, and former Governor of the Federal Reserve Board at Washington. A clearer insight into the workings of the Reserve System has been made possible.

The so-called Chicago discount rate incident of September, 1927, general discount and open market policies and the proposal for the stabilization of commodity prices through the Federal Reserve System are treated with engaging frankness by Governor Harding in his recent testimony before the select standing committee of the House of Commons of Canada.

Governor Harding appeared before the committee, which is considering the improvement of the banking system in Canada, in response to a request for his views in regard to the banking system in the United States, with particular mention of the Federal Reserve System. He gave the committee a complete picture of the American banking structure, but only such extracts from his remarks as are interpretative of present day problems are presented here.

No More Chicago Incidents

BEARING in mind that the cycle of Federal Reserve discount rate levels —first down, then up—began last fall, at which time the reduction of the rate at the Federal Reserve Bank of Chicago caused so much controversy, the views of Governor Harding on this incident are illuminating. Discussing the powers of the Federal Reserve Board with respect to rates he said:

"The Federal Reserve Banks fix their own rates of discount, which are effective, however, only upon 'review and determination' of the Federal Reserve Board. A question arose last September as to whether or not the Federal Reserve Board, under its powers of review and determination, could change the rate of discount of a bank which is unwilling to change it itself.

"The Federal Reserve Bank of Chicago had a 4 per cent rate. All the other banks at that time had a 3½ per cent rate, and the Federal Reserve Board passed a resolution fixing the Chicago rate at 3½ per cent. That created a considerable disturbance, and the Governor of the Board—Mr. Crissinger—resigned, although he said that episode had nothing to do with his resignation, and the President appointed Mr. Young, who was Governor of the Minneapolis Reserve Bank, to succeed, I do not think that a similar situation will occur again."

Importance of the open market operations of the Federal Reserve System was stressed by Governor Harding. His views of the relative value of discount and open market activities do not seem to coincide with recent suggestions that the latter function be subordinated to the former in credit control. The most notable proponent of this change has been A. C. Miller, member of the Federal Reserve Board who has forecast the probability that the primary reliance in credit control technique of the Federal Reserve in the future will be the discount rate rather than the open market operation.

"The control of the Federal Reserve Banks over the money market," said Governor Harding, "does not come so much through the discount rate as it does through the open market transactions which are authorized under Section 14 of the Federal Reserve Act. The discount rate of the Federal Reserve Bank, after all, is a negligible quantity in most sections.

"In 1923, the Board appointed a committee known as the Open Market Committee, composed of the Governors of the Federal Reserve Banks of New York, Boston, Philadelphia, Cleveland and Chicago. The board chose those cities partly because the larger volumes of open market transactions are made in those cities, and particularly because they are all geographically located so that the committee can get together after a night's ride. The committee at certain intervals meets at Washington with the Federal Reserve Board to consider the situation, and to outline a policy for say, two months ahead.

Open Market Policy

"A BROAD outline of policy would be: The bill market has to be taken care of. The Federal Reserve Banks are always ready to buy or sell bills. They are the mainstay of the bill market. They do not play with the bill market with a view of influencing the general money market. Such influence is exercised through purchases and sales of short time government obligations.

"The open market committee acts for all twelve Federal Reserve Banks and purchases which are made are allocated pro rata on the basis of their capital and surplus among all the twelve Federal Reserve Banks and the sales are allocated in the same way, out of the securities held subject to order of the committee by the Federal Reserve Banks. It has been the policy of the committee to have a stock of short term obligations on hand amounting to a minimum of say $150,000,000 to $100,000,000, and a maximum of $500,000,000 to $550,000,000. There are times when the committee neither buys nor sells; they let the money market rock along.

"A very interesting situation came up in 1927. A considerable outward movement of gold took place and whenever gold is shipped out of the country, it affects the money market more or less, because although the gold comes out of the Federal Reserve Bank, it comes out of the bank by means of a check drawn on some member bank, and the member bank draws on the Federal Reserve Bank.

Easing the Money Market

"ABOUT the first of last July (1927), the committee had a meeting in Washington and discussed the situation. Our crop movement begins the latter part of July or early August; the grain begins to move followed by cotton. The money market had begun to show some symptoms of hardening. We began to buy Treasury certificates, thus taking money out of the Federal Reserve Banks and putting it in the market. This eased the market situation.

"Later on there was a very pronounced gold export movement. Altogether we lost from the first of October to the first of January about $200,000,000 in gold, which left the country. To prevent the money market from feeling the effect of these large exports of gold and to avoid the necessity of advancing Federal Reserve Bank rediscount rates with the repercussions abroad which might follow such action, and to facilitate the exports of our surplus crops, the Federal Reserve System decided upon a policy which would keep money easy in the United States in the face of these abnormally heavy movements of gold out of the country. As gold was shipped out we would buy Treasury certificates and thus put back in the market, the money that had been taken out of it because of the gold shipments.

The Tightening Process

"AFTER the first of January there is always a return flow of currency from the agricultural sections, and very often at this period money becomes redundant in the financial centers. In January therefore the Reserve Banks began to sell government securities, and during January and February they sold $150,000,000 of Treasury certificates, which they had previously accumulated, thereby taking out of the market that amount of money. The foregoing is a brief outline of the open market policy.

"The Federal Reserve System does not attempt to fix commodity prices. Some economists believe that it could and should stabilize the general price level, and that its policies should be shaped with this end in view. Other economists think differently. In my opinion the Federal Reserve Banks can be helpful and have been helpful in stabilizing the

(Continued on page 267)

The Key to Safety

for Savings Accounts

With the National Posting Machine ONE KEY in the hands of an officer of the bank controls the totals of the machine and therefore every deposit and withdrawal.

In addition to adding each transaction into the deposit or withdrawal total, this machine prints three records of every transaction; one on the customer's pass-book, one on the ledger card and one on the audit strip inside the machine.

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The Bank Division of The National Cash Register Company will be glad to give complete information on this machine

The National Posting Machine

FOR BANKS

Product of The National Cash Register Company, Dayton, Ohio

The Condition of Business

Industrial Production is Well Maintained and Retail Trade Active. Half-Year Profits Two Per Cent Above 1927. Money Rates Continue Firm but Expansion in Bank Credit Stabilized Tone of Stock Market and Bond Market Show Improvement.

IF anyone still holds misgivings as to the outcome of American business in the year 1928 an examination of the principal elements visible at this time should inspire a great deal of confidence.

Industrial production is well maintained, with automobiles and trucks making a record, steel operations expanding at firmer prices, building construction to date 8 per cent ahead of last year, metals and machinery active and the only seriously unfavorable spots being woolen and cotton goods.

Retail trade is becoming more active and merchants are reported to have thoroughly cleaned out hot-weather goods and to be making autumn and winter purchases with conservative optimism, the free placing of forward orders being particularly noteworthy. The election year bogie has so far had little effect on trade.

Sentiment for Lower Rates

MONEY rates continue firm but the supply of loanable funds is ample and statements of the reporting member banks show but minor changes, with total loans and investments temporarily stabilized at a level only 7 per cent above one year ago. Sentiment is frequently heard that present rates are higher than justified and that an evening-down to correspond with international interest charges is to be expected.

Profits for the half-year of 325 large manufacturing and merchandising corporations aggregate 2 per cent better than last year and the majority of the group show increases.

Crop forecasts were raised in the August estimates so that the probable wheat and corn crops will not be less, but more than last year, while excellent fruit crops are expected.

Tone of the stock market is stronger. Considering the breadth of this market today and the relative quietness that has prevailed since May, the recent bidding up of selected issues is not surprising.

Bond markets are still quiet and new underwritings the fewest in years, but steady accumulation of new capital is beginning to bring about a recovery in prices, and in time will have the further effects of reducing brokerage loans, lowering interest rates, and inviting new offerings.

Production Well Maintained

AUTOMOBILE production kept at a high level during August. Seven months' output of cars and trucks amounted to 2,592,592 vehicles as against 2,337,459 units in the corresponding period of last year. General Motors Corporation enjoyed a large share in the gain, particularly its Chevrolet division. Ford Motor Company is now building 5000 cars daily and is several months behind in orders.

Steel production eased off in midsummer, as is customary, but is again speeding up. Demand is good in practically all lines of steel, except for railroad and equipment buying, and prices are steadily firming up. Backlogs of unfilled orders have been drawn down all year but are nevertheless higher than in September, 1927, and the industry views the outlook with confidence.

Building construction continues to give a good account of itself. Contracts awarded in July were the highest on record for that month, and total contracts for building and engineering work for the seven months, compiled by F. W. Dodge Corp., amounted to $4,028,299,900 and were 8 per cent above 1927, establishing a new high record.

Cotton mill operations have suffered a slump and the situation in New England appears to be growing steadily worse. New Bedford mill employees have been on a strike for several weeks which has brought about discontinuance of dividends, further depreciation in shares, and a decision on the part of several old-established mills to liquidate the business entirely.

Unsatisfactory conditions still prevail in woolen textiles also. American Woolen Company in presenting its samples for men's fabrics, spring and summer, 1929, surprised the clothing trade by quoting lower prices, when an increase had been expected due to higher raw wool costs. Keen competition amounting practically to a "price-war" is given as the cause.

Non-ferrous metal consumption is running heavy and prices are quiet but firm. Rubber tire manufacture is at a record.

Retail Trade More Active

ALTHOUGH the past month is a between-season period, retail trade reports are very satisfactory. Among the favorable signs might be listed: (1) Excellent outlook in agricultural sections, (2) Increased placing of forward orders, (3) Marked clean-up of hot weather merchandise, (4) Lack of unsettlement usual in election years, (5) Advance in buying of pig iron, (6) Purchasing power less affected by unemployment, (7) Beginning of over-due railroad buying, (8) Steadiness of commodity prices, (9) Confident attitude of clothing and shoe merchants, and (10) Heavy movement of miscellaneous and less-than-carload-lot freight.

Unfavorable elements in recent reports have been serious only in the case of the southeastern corner of the country where tropical storms accompanied by high winds and heavy rainfall have checked business progress, damaged the corn, cotton and fruit crops, flooded wide areas and interfered with highway and railway operations in Florida, Georgia and the Carolinas. This notable exception, however, is localized and storm damage is usually followed by increased retail buying later on.

Department store sales continue satisfactory and, according to reports collected by the Federal Reserve Bank of New York, are especially good in musical instruments and radios, shoes, books and stationery. Gains over 1927 were also found in toys, sporting goods, luggage and other leather goods, women's ready-to-wear, men's furnishings, toilet articles and drugs, furniture and house furnishings. Woolen sales are down, as are silks and velvets, hosiery, and also silverware and jewelry.

Chain store sales of the large organizations are running on an average about 12.5 per cent ahead of 1927, which is approximately the normal rate of increase. This of course is partly accounted for by the growing number of stores included in chains.

Sears, Roebuck & Co. sales for the first seven months showed a gain of $21,688,000 or 14.4 per cent over last year, while Montgomery Ward & Co. sales in the period were $6,302,000 or 6 per cent ahead.

Money Rates Firm but Supply is Ample

MONEY continues to hold at an abnormally high level for most classes of accommodation, with call loan rates fluctuating erratically.

Never has the nature of call funds, as representing the day-to-day surplus from all sources, been more clearly illustrated than during the past month. One day the rate may be 4½ per cent, the following day 6½ per cent.

Ruling rates averaging 7 per cent contrast with 3½ per cent one year ago. Ninety-day time money is 6½ compared with 3¾@4 per cent last year, and prime commercial paper is 5½@5¾ compared with 4 per cent last September. Ninety-day bankers acceptances are quoted 4⅝@4½ and call loans against acceptances are 6½ per cent. Maintenance of the high acceptance rate

is causing volume of bills to decrease and is shifting the financing under commercial credits to London and other foreign centres.

Calling of $25,000,000 to $50,000,000 may cause such a tightening, and while this amounts to less than one per cent of the total outstanding it is the "marginal utility" of the last few millions that determines the rate for all loans. Investment bankers whose business requires large collateral borrowings have been embarrassed and annoyed not a little by this capriciousness of rates under the control of commercial banks.

Weekly statements of the reporting member banks indicate a slight decrease in secured loans and investment holdings, partly offset by an increase in commercial loans. Combined total has decreased slightly and the margin between the figures of the preceding year is becoming narrower. Thus the credit situation appears to be temporarily stabilized on a level some $1,500,000,000 higher than a year ago which represents a growth of only 7.5 per cent.

Strictly brokerage borrowings likewise seem to be stabilized within the $4,000,000,000 to $4,500,000,000 area for the fifth successive month now.

Considering the above conditions, and also the strength of the Federal Reserve banks' position, the outlook for continued firm rates in early autumn will surely be followed by a natural easing later on.

Half-Year Profits Increase 2.5 Per Cent

SEMI-ANNUAL earnings statements of manufacturing and merchandising corporations published during July and August furnish confirmation to the satisfactory trade reports that have pointed to a continuance of moderate prosperity. A cross-section of business reveals, as usual, numerous favorable, unfavorable and indeterminate trends, which in the sum-total all tend to offset one another. In the accompanying table are shown the net profits of some three hundred leading American corporations, grouped by industries, for the first six months of the current year as compared with 1927, and the percentage of change.

Aggregate earnings of the group amounted to $694,031,000 this year as compared with $677,001,000 last year, an increase of $17,030,000 or 2.5 per cent. Fifty-nine out of every hundred corporations increased their earnings over last year while forty-one were smaller.

A substantial part of the gain was furnished by General Motors Corporation, whose net profits for the period came to $161,268,000 this year compared with $129,250,000 last year, an increase of $32,018,000 or 24.7 per cent.

Without General Motors the remainder of the corporations actually decreased by $14,984,000 or 2.7 per cent.

Automobile and truck manufacturing has the largest group total and fifteen companies increased 20.6 per cent, but without General Motors it would have decreased 6 per cent.

Industrial Corporation Semi-Annual Profits

000s Omitted

Number	Industry	1927	1928	Per Cent Change
5	Amusements	$6,667	$7,891	+18.4
10	Apparel, etc..............	4,168	3,290	—21.0
19	Automobile and trucks.....	169,033	207,252	+22.6
24	Auto accessories..........	24,190	32,839	+35.8
12	Building materials.........	14,996	12,596	—16.0
20	Chemicals and drugs.......	46,518	58,603	+25.9
5	Coal	2,568	1,501	—41.6
9	Copper	17,241	23,444	+36.0
2	Cotton mfg...............	924	D 521	.....
7	Electrical equip...........	25,169	30,828	+22.5
10	Flour and bakery..........	27,587	26,947	— 2.3
17	Food	35,222	39,730	+12.8
24	Iron and steel............	98,505	89,430	— 9.2
4	Leather and shoes.........	3,011	4,668	+55.0
5	Lumber and furniture......	2,916	1,784	—38.9
14	Machinery	19,711	18,109	— 8.1
16	Merchandising	15,150	17,828	+17.6
10	Non-ferrous metals........	10,699	12,218	+14.2
15	Office and home appliances.	21,991	22,976	+ 4.5
7	Paper	5,210	6,200	+19.0
32	Petroleum	59,895	52,514	—12.3
4	Printing and publishing....	2,945	3,419	+16.1
7	Railway equip.............	9,056	6,470	—28.6
7	Rubber	17,130	D 27,258*	.....
4	Shipping	1,441	2,075	+43.9
7	Silk and Rayon	3,197	3,339	+ 4.5
8	Tobacco	7,985	8,231	+ 4.2
21	Miscellaneous	23,866	27,628	+15.8
325	Total mfg. and mdse......	$677,001	$694,031	+ 2.5
95	Public utilities...........	391,337	428,767	+ 9.6
184	Railroads	472,998	462,025	— 2.1
604	GRAND TOTAL..........	$1,541,336	$1,584,823	+ 2.8

D—Deficit.
*Inventory adjustments.

Iron and steel profits are still unsatisfactory, and the same is true of machinery, railroad equipment and building materials, although agricultural implement makers showed profits. Rubber tire manufacturers suffered heavy losses from the drop in crude prices, and cotton milling again slumped back into its depressed state. Out of fifteen merchandising corporations, twelve made higher earnings than last year.

Crop Forecasts Again Raised

LAST month we reprinted the Department of Agriculture estimates for production of grain and pointed out that the fine growing weather would doubtless cause later estimates to be revised upwards.

August estimate on corn was raised from 2,736,000,000 bushels to 3,029,000,000 bushels so that instead of a crop 5 per cent less than last year it should be 9 per cent more.

Winter wheat, spring wheat and durum were all increased in the new forecast and the combined total is now expected to exceed last year instead of being smaller.

Bushels 000s Omitted

	1927 Actual	1928 Estimate
Corn	2,774,000	3,029,000
Winter wheat.......	553,000	578,000
Durum wheat.......	76,000	84,000
Spring wheat.......	243,000	228,000
All wheat..........	873,000	891,000
Oats	1,184,000	1,442,000
Barley	264,000	344,000
Rye	58,800	43,300
Flaxseed	26,600	24,500
Buckwheat	16,000	15,400
Rice	40,100	36,100

	1927 Actual	1928 Estimate
White potatoes......	407,000	460,000
Sweet potatoes	93,900	81,200
Apples	123,000	179,000
Peaches	45,500	67,500
Pears	18,100	23,300
Beans	16,900	16,800
Peanuts	807,000	847,000
Tobacco (pounds)...	1,211,000	1,358,000
Hops (pounds)......	29,800	33,300
Sugar beets (tons)..	7,750	6,690
Grapes (tons)......	2,460	2,840
Hay (tons).........	106,500	88,800
Cotton (bales)......	12,955	14,291

An examination of these figures is most encouraging, as regards agricultural conditions particularly and business prosperity generally.

Fruit crops, including apples, peaches, pears and grapes, are especially good this year.

Stock Market Tone Stronger

PUBLIC interest in the stock market is again broadening after the shakeout in May and June that frightened many traders, and increased volume has been accompanied by higher quotations in selected issues.

Measured by the New York *Times* average of twenty-five industrials, the index stands around 277 or at the year's high, compared with the low of 233 in February, while the similar index for rails is around 124 compared with the February low of 113 and the May high of 129.

Such "averages" are not as conclusive as formerly, however, because of the present breadth of the market which is as wide and diversified as industry itself and has the same cross-currents as ap-

(*Continued on page* 268)

Major Financing in August

Issue	Amount	Rate	Due	Price	Yield
Middle West Utilities Co. notes	$30,000,000	5½	1929–31	99.65–.88	5.62–6
Commonwealth Subsidiary Corp. deb. A......	20,000,000	5½	1948	97	5.75
Brooklyn Manhattan Transit Corp. sec. notes..	10,000,000	6	1929	100	6.00
Midland Utilities Co. deb. A................	6,000,000	6	1938	99½	6.05
Gannett Co. Inc. s. f. deb. A...............	5,000,000	6	1943	99¾	6.00
Public Service Co. of Okla. 1st D............	5,000,000	5	1957	96	5.27

Membership Dues—New Telegraphic Code

ON Sept. 1, the beginning of the American Bankers Association's fiscal year, certificate-drafts for membership dues for the year ending Aug. 31, 1929, were sent to all members of the association. A very large percentage of members have remitted, thus indicating their loyalty and a desire to cooperate in the great work that is being carried on in the interest of the banking fraternity. The membership is more than 20,000, or 70 per cent of all banks in the United States. There is a large amount of work in the collection of dues, and it is the desire of the officials that the collection be completed at an early date, thus eliminating unnecessary correspondence and delay.

Since the Code of 1914 was compiled quite a few phrases pertaining particularly to operations of the Federal Reserve banks have come into common usage and therefore are not found in that issue. For this reason and based on other suggestions, such as the elimination of the serial numbers directly to the left of each Code word and a change in the system of authenticating telegrams, the Association, in its desire to improve constantly its service to members, is now compiling a new telegraphic Code which will be distributed to its members about Dec. 1.

This Code, which will supplant and render useless the Code of 1914, will contain many additional phrases and is adequate for every practical banking requirement, therefore it should prove most useful to the membership. It will be necessary to have our record of paid members complete before the new Code is forwarded. Members will be notified by letter at the time the Code is sent and advised of the date it becomes effective.

Under the by-laws, dues are payable in advance on Sept. 1, and the constitution provides that non-payment within 30 days after they are due shall result in the forfeiture of all privileges of membership until payment thereof, and failure to pay such dues within three months after they are due shall result in the forfeiture of membership. If the certificate-draft has been misplaced, the schedule of membership dues will be found on page 137 of the August Journal.

Remittances should be made in New York funds direct to our depository, the American Exchange Irving Trust Company, 60 Broadway, New York City, and checks made payable to the order of that institution.

THE mortgage banker must look farther than over the top of his spectacles in the future. He is not only concerned with the client sitting by his desk, but in the mortgage banking situation thousands of miles away, for this business has become dependent on the economic influences at work throughout the country.—E. D. SCHUMACHER, president, Mortgage Bankers Association of America.

National Banks Become Security Dealers

(*Continued from page* 211)

most axiomatic that a bond or other security yielding an abnormally high rate of interest is not a sound investment for a national bank. It may be marked down in value by a bank examiner, or thrown out of the investment portfolio, and in either case it is not the kind of security which the bank will want to sell to a customer. Careful buying, with or without the aid of city correspondent banks, becomes an increasingly greater necessity in these days when better business bureaus and other agencies are advertising widely to "investigate before investing," for the bank's potential customers will come in time to heed this slogan.

As a basic guide to purchase of investment securities, there is first the McFadden Act. It authorizes national banks to . . . buy and sell without recourse . . . marketable investment securities . . . under the Comptroller of the Currency's definition of "investment securities,"—with the total amount of securities of any one obligor held by the bank limited to 25 per cent of its capital and surplus—excepting that this limitation as to amount does not apply to United States government obligations, or general obligations of a state or political subdivision, or to obligations under the Federal Farm Loan Act.

The Bank's Job

THE next guide is in the Comptroller's regulations, defining investment securities eligible for these dealings. "Under ordinary circumstances, the term 'marketable' means that the security in question has such a market as to render sales at intrinsic values readily possible." Further fundamental tests of marketability are these:

(a) The issue must be of a sufficiently large total to make the marketability possible.

(b) Such a public distribution of the securities must have been provided for or made in a manner to protect or insure the marketability of the issue.

(c) The trust agreement under which the security is issued must provide for a trustee independent of the obligor, and this trustee must be a bank or trust company in the case of securities issued under a trust agreement executed since Aug. 29, 1927.

The Comptroller has issued no further regulations or definitions. He has repeatedly declined to approve or disapprove as eligible any securities brought to his attention by investment houses in advance of sale. In these matters the Comptroller deals only with banks or with bank examiners, not with investment houses or the public. It is primarily the bank's job to apply to its purchases the acid test as given generally in the regulations. Next it is the national bank examiner's job to apply the test to the securities found in the bank's investment account. If the ex-

aminer is in doubt, he may consult the Comptroller. If the bank disagrees with the examiner, it may appeal to the Comptroller, who supports or overrules the examiner's decision. Each decision is made on the basis of fact in the case.

Actually there have been few embarrassing questions before the Comptroller. He has been under no serious pressure to establish an "eligible list" of securities.

Ruled Out

THERE are certain securities which are not eligible. These are not specified by the Comptroller, but the non-eligible character is inherent in the limitations imposed by law or regulations. Among these may be mentioned: All ordinary industrial or commercial corporation stocks, both common and preferred; all purely local issues, excluding from that term the metropolitan centers. (The issue must be important enough and large enough to attract the attention of the general investing public); bonds of certain small subdivisions of a state, such as drainage districts. (County or township bonds may or may not be eligible, depending on whether they meet the tests); first mortgage real estate notes.

Most real estate bonds are not eligible for investment because they do not meet the basic requirements. They may not have ready marketability, and the fact that the issuing company in practice has purchased back its bonds at fair prices is not enough to establish their liquidity. Another bar is that the issuing company often acts as its own trustee, or controls the trustee, which is not in accordance with the Comptroller's requirements. Decisions on real estate bonds are not rendered on them as real estate bonds, but merely in accordance with the facts checked against the standard set up in the regulations. They are not mentioned specifically in either law or regulations. There are certain exceptions, such as bonds covering nationally known office buildings, which have in fact "marketability."

Real estate bonds which are thrown out of a bank's investment account by an examiner may not be taken over into the loan account, because Sec. 24 of the Federal Reserve Act, as amended by Sec. 16 of the McFadden Act, requires that in the case of real estate loans the bank may not take merely a part of the loan; it must take all. This applies similarly to mortgage notes.

The Real Estate Field

THERE are many nice questions of interpretation of the law with respect to national bank dealings in securities which will be decided from time to time by the Comptroller, as cases arise. One is this: In the case of general obligations of a municipality there is no limit as to the amount which a bank may hold, providing, of course, they meet the tests of eligibility. In the case of special assessment issues, the question arises as to whether the legal limitation on amount to 25 per cent of

the bank's capital and surplus applies to each special assessment issue, or whether it applies to the aggregate of all such issues. In other words, is the identity of the legal obligor represented by the special project or by all specially bonded projects in the municipality?

The Comptroller has this question before him for decision, and national banks holding a large amount of local improvement bonds will be affected by the ruling.

There seems to be a real estate investment field in which a national bank may operate profitably, quite outside the limitations of the regulations, through the making of loans on real estate by the bank, and the subsequent sale to the public of participating shares of that loan in the form of certificates. For example, a bank might make a first mortgage loan on an office building and then split up the loan and sell parts of it. Going further, a bank might make up a pool or group of its own first mortgage loans and issue to the public participations in the pool.

Opening the Way

IT should be noted that the law with reference to real estate loans imposes the following limitations: The real estate must be improved. It must be situated within the Federal Reserve District or within a radius of one hundred miles of the location of the bank. The entire amount of the obligation or obligations secured by mortgage or trust deed must run to the bank. The bank can not take a part of a real estate loan. The amount of any such loan may not exceed 50 per cent of the actual value of the real estate. The term of the loan can not be longer than five years.

The aggregate volume of real estate loans by the bank can not exceed 25 per cent of its capital and surplus, or one-half of its savings deposits. Every individual real estate loan is subject to the limitation of Sec. 5200 R. S. Whatever amount a person, corporation, etc., may borrow under Sec. 24 of the Federal Reserve Act must be added to his line under Sec. 5200 to determine the aggregate obligation or liability to the bank.

This field of real estate loan operations is likely to become very important in the next few years, both as a means of extending the profit-making operations of national banks, and as a tremendous influence on the whole mechanism by which capital flows into real estate. Since such loans are actually under the supervision of the national bank examiners and the Comptroller of the Currency, this would seem to be a means of establishing a national, government-supervised standard for mortgage loans.

There are plenty of legal technicalities in connection with these real estate security transactions but competent lawyers are working out the technicalities satisfactorily, thereby opening the way for a new line of national bank business.

Inter-American Relations and the Dollar

(*Continued from page* 228)

often themselves directly or indirectly interested in the production of the capital goods needed abroad, they will usually buy this capital equipment in their own home markets rather than abroad, if they can do so at anything like as favorable prices—a fact which is largely responsible for the slogan "trade follows the investment."

Since 1913, when American capital began to pour into Latin-America in large amounts, our trade with our southern neighbors has increased something like 134 per cent, as compared with an increase of 42 per cent in the trade of Great Britain with Latin-America during the same period. It is significant that our balance of trade with Latin-America is "unfavorable" although this does not hold true in the case of the balance of payments. In the year 1927, American imports from Latin-America were valued at $958,000,000 and the United States sold goods in that section of the continent valued at $803,000,000. In other words, in 1927 we bought $155,000,000 worth of goods more than Latin-America purchased from us.

Considerable economic interdependence is perhaps the best guarantee an investor in Latin-American securities may have as to the safety of his invested funds. Trade figures reveal a sharp contrast between what might be termed the quality of Latin-American securities in general and those of a great number of European governments and corporations whose securities have been offered in American markets in considerable amounts during recent years. Some of these countries have no economic intercourse with the United States except possibly a negligible amount of trade.

The service and repayment of their debts to us will have to be made, therefore, either by shipments of bullion, a condition with which no country in Europe is at present in a position to comply, or by means of the triangular trade movement, making a country closely connected with the United States in trade or financial matters, and also connected with the borrowing entity, pay in service or goods for the amount due by the borrower. No such condition exists in Latin-America considered as a whole. We buy there more than we sell, which means that we may not expect Latin-America to experience any difficulty in keeping the service of its debts to us. This condition is likely to continue for many years to come on account of the increasing industrialization of the United States and the consequent increase in its demands upon raw material-producing countries for articles needed for its existence.

Difficult Situations

THE unfortunate feature about American investments in Latin-America has been the contention, both at home and abroad, that the policy of the United States toward these countries is de-

termined by the interests of investors and with a view to obtaining economic and even political control. It has been charged that the armed forces of the United States have been used to collect debts and to protect grasping concession holders. It is true that there has been economic and financial penetration of Latin-America by American interests. This, however, could not be otherwise for reasons of propinquity and mutual convenience.

Latin-American merchants, especially during the war, found the United States market a desirable one in which to buy. Latin-American governments and corporations found that capital could be obtained here on favorable terms. The United States found in the Latin-American markets an excellent outlet for its surplus production. It found countries rich in natural resources which could be conveniently exploited in the interest of American industries. Latin-America sought contact with the United States and the United States sought contact with Latin-America. Increased trade and close economic and financial relations were the result.

It is true that in the course of the development of American interests in Latin-America, the government of the United States has sometimes been confronted with peculiarly difficult situations demanding action. Still, interventions by the United States in Latin-America cannot be attributed directly to investments by Americans. Interventions have been on much broader grounds. The Monroe Doctrine was a policy of self-interest, adopted for the security of the United States against conspiring European governments. Yet at the same time it has been in the interest of other American republics.

No Imperialism

A CURSORY reading of Latin-American history is ample to convince the reader that had it not been for the firm stand taken by the United States, the Latin-American countries would doubtless today have been colonies or provinces of European nations. At the same time no one can be justified in denying that American intervention in the financial affairs of several of our southern neighbors has been extremely beneficial and conducive to better government, regardless of how distasteful it may have been to Latin pride and self-consciousness.

The United States has not collected debts by force, and official declarations have made it quite clear that American capital going abroad does so at its own risk. American investors have before them the domestic and the foreign field. If they choose to invest their savings in the foreign field, it is because they consider it more advantageous. The United States cannot pursue a policy of economic or financial imperialism when American investments abroad are voluntary. Many Latin-American countries desiring foreign capital are particularly desirous that such capital

come from the United States, since they know that the government of this country seeks only a fair opportunity and fair treatment on the part of foreign governments for just rights acquired in good faith.

This has been the attitude of the State Department toward Mexico notwithstanding widespread assertions to the contrary. If Latin-American governments will adhere to the policy of respecting vested right acquired in good faith and in perfect conformity with the laws of the land and if they will discontinue the practice of granting ruinous concessions, there is little likelihood of any great disturbance in the political relations of the American family of nations.

New Books

INFLUENCING MEN IN BUSINESS. By Walter Dill Scott, Ph.D. Published by The Ronald Press Company, New York. 172 pages. Price, $2.50.

"Everyone in business or professional life has to deal with other people, to win them, to persuade them," says the author. "Those who have been most successful have understood the principles of psychology, though they may never have formulated them definitely. The aim of this book, when first published seventeen years ago, was to explain these principles as they apply particularly to selling and advertising, in a form which anyone could understand and use."

It is a book for the executive, salesman and advertising man.

ANALYSIS OF RAILROAD SECURITIES. By Jules I. Bogen, Ph.D. Published by The Ronald Press Company, New York. 449 pages. Price, $6.

From the strategic economic importance of the railroads comes the strategic position of the railway securities, and this book is an aid in determining investment values. It deals with present day railroad financing, railroad method of economy, railroad consolidations, and the stocks and bonds of this great industry.

The volume has been prepared for the use of the security analysts and investors.

The last chapter of this book is devoted to foreign railway securities. In this chapter the author says: "A major reason for greater interest on the part of Americans in foreign railways is in fact the relatively undeveloped condition of the railroading in many parts of the world. Whereas in the United States the railroad industry has approached a saturation point as far as new building is concerned."

JAPAN'S FOREIGN EXCHANGE AND HER BALANCE OF INTERNATIONAL PAYMENTS. By Seikow Yoski Furuya. Published by Columbia University Press, New York. 208 pages. Price, $3.25.

In publishing this treatise in English the author aims at two objectives. One

is to make the English-speaking public acquainted with the changes that have taken place in the last thirteen years in the currency trade, financial and exchange situation in Japan. The other is to make known to those interested in theoretical problems the views of the author regarding the laws governing foreign exchange.

School Savings Banking

A HISTORY of school savings banking in the United States, prepared by W. Espey Albig, Deputy Manager American Bankers Association, has been issued in booklet form by the Savings Bank Division of the Association.

"School savings systems," says Mr. Albig, "are in operation in forty-six of the forty-eight states of the United States, and annual deposits in each of the seven states are in excess of $1,000,000. In one state the annual deposits are above $3,000,000, in another $4,000,000. The aggregate net annual savings in the United States is above $9,500,000,000."

Profits in Lumber

(Continued from page 216)

every sizable town in America has or is planning its apartments. These take up less space than the old-fashioned dwelling and require correspondingly less furniture. Many a family of modern "cliff-dwellers" would rather buy an automobile and dispense with a dining-room, using instead "breakfast nooks" and other substitutes.

When maids for domestic service must be paid as much as a trained stenographer, and are harder to keep, it is not surprising that the average housewife prefers to spend money on electrical labor saving devices rather than on more furniture that must be dusted and polished. Worthy of note is the development of a truly "modern American" style of furniture, based on straight lines, elimination of excessive ornamentation and emphasis on practicability, which represents an effort to get away from the faithful reproduction of the furniture of past centuries and to adopt designs more appropriate and harmonious to present day conditions of living.

Other interesting tendencies, which cannot be discussed in detail, are toward wicker and reed woven furniture—comfortable for porches and out-of-door living, cheaply decorated for colorful interiors, and easily moved around in crowded apartments; also toward furniture "in the white" to be finished by the purchaser; and the movement toward honesty and confidence in furniture by using trade names and advertising that actually describes the material, instead of calling Georgia pine "solid mahogany." The "model apartments" arranged by department stores and completely furnished are one of the greatest aids in selling furniture ever discovered.

If anyone fears that the trend toward steel-and-concrete building construc-

tion has sounded the death-knell to the lumber industry, the latest census report on the value of products (not including furniture, etc.) amounting to over $2,284,000,000 in 1925 will prove that it is far from being an extinct industry. This total compared with $1,110,000,000 in 1914, before the tendency became so noticeable.

About thirty different kinds of wood are of commercial importance in this country, but yellow pine and douglas fir account for over half of the total, making up approximately 24 per cent and 21 per cent respectively. These are both softwoods, in which group are also western yellow pine, making up another 8 per cent, hemlock 6 per cent, white pine 4 per cent, cypress and spruce 2 per cent each, and redwood, cedar, white fir and sugar pine one per cent each.

Oak is the most important of the hardwoods yet makes up only 5.5 per cent of the grand total, based on quantity sawed. Red and sap gums make up 3 per cent, maple 2 per cent, birch and yellow poplar one per cent, and chestnut, ash, basswood, beech, cottonwood, elm, hickory, sycamore and walnut less than one per cent each. According to the census reports there was over 38,000,000,000 board feet of lumber produced in 1925, representing an increase of 7 per cent over 1924 but a decrease of 3 per cent from 1923. Thirteen states contributed in excess of 1,000,000,000 feet each.

Sources of Supply

YELLOW pine is the principal species cut in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina and Texas. Douglas fir is the leader in Oregon and Washington. California is on the honor list with western yellow pine, Idaho with white pine and Wisconsin with hemlock.

Significant changes have taken place in the sources of our lumber supply. In the days when Abraham Lincoln was campaigning for the Presidency, 36 per cent of our lumber came from the Northeastern States, while 28 per cent came from the Lake States and 18 per cent from the Central States.

At present the Northeastern States contribute only 4 per cent, the Lake States 6 and the Central States 5, making a total of 15 per cent compared with 82 per cent in Lincoln's day. Southward and then westward the lumber industry has exploited our timber resources until at the present time the Southern States furnish 45 per cent (which is slowly declining) and the Rocky Mountain and Pacific States 38 per cent (slowly increasing).

Profits and Losses

LEST anyone conclude that lumbering operations are a royal road to wealth, we are presenting two tables compiled from the statistics of income issued by the Department of Internal Revenue, to show the total number of corporations operating at a profit or a loss, and their combined earnings or deficits. The first includes forestry and logging, while the second covers sawmill and planing mill products, furniture, boxes, etc.

Forestry and Logging
$000 Omitted

	Reporting Income		Reporting Deficits	
Year	Number	Net-Profits After Taxes	Number	Deficits
1916......	575	$14,127	636	$9,875
1917......	*	*	*	*
1918......	204	5,994	206	1,858
1919......	234	6,743	171	2,409
1920......	236	12,423	156	3,170
1921......	138	2,452	226	6,667
1922......	192	10,733	157	2,670
1923......	212	13,672	179	2,460
1924......	218	8,276	250	6,228
1925......	*	*	*	*
Total...	2,009	$74,420	1,981	$35,337

*Not available.

In this group of some 500 corporations, over the last decade (except for the years 1917 and 1925 for which figures are not available), about fifty out of every one hundred mills operated at a profit and fifty at a loss. Aggregate earnings of the successful concerns after deducting Federal taxes amounted to $74,419,728, which was offset by losses of the unsuccessful companies amounting to $35,336,842. Thus for every $1,000,000 profit of the one group, some $475,000 was lost by the other.

Intermediate and finished products represent the more stable division of the industry and make a more favorable showing, as follows, based on sworn tax returns.

Manufacturers' Wood Products
$000 Omitted

	Reporting Income		Reporting Deficits	
Year	Number	Net-Profits After Taxes	Number	Deficits
1916.....	4,930	$112,443	2,199	$19,160
1917.....	*	*	*	*
1918.....	4,895	118,195	1,535	16,703
1919.....	5,438	217,144	1,176	19,371
1920.....	5,300	242,310	1,965	27,169
1921.....	2,984	59,264	3,749	120,220
1922.....	4,545	185,297	2,366	48,282
1923.....	5,250	265,593	2,132	32,587
1924.....	4,750	156,768	2,913	57,754
1925.....	4,657	175,649	2,976	53,116
Total..	42,839	$1,532,662	21,011	$395,362

*Not available.

Even here, only sixty-seven out of every one hundred concerns, on an average, were able to make a profit and thirty-three operated at a loss. Earnings of the successful group amounted to $1,532,662,316 in the decade, which was offset by losses of $395,361,555. In the year 1921, the most disastrous in recent history, profits of $59,000,000 were offset by losses of $120,000,000. For the full decade, for every $1,000,000 profit there were losses of over $250,000.

Millions Sold Daily

IN the usual reports on general business conditions one does not very often find the furniture industry referred to. This is not because it is unimportant but is due to the large number of small, scattered factories and the wide variety of articles produced, in contrast to steel or automobiles, for example, whose production is concentrated and whose standardized unit output lends itself to statistical reports.

Over 3000 separate furniture-making establishments are in operation in this country, with every state represented. Value of products in 1925 amounted to over $868,000,000 wholesale, so that, with the usual furniture store or department store mark-up of 50 per cent (many installment plan dealers mark up 100 per cent or more) this means over $4,000,000 in furniture sold every business day in the year.

It may be surprising to note that New York State leads in value of output, contributing about 18 per cent of the total. New York City is the center for very high-class furniture production while Jamestown is important in lower priced goods. Grand Rapids, Mich., is the style center for factory-made furnishings, while Chicago and Rockford are leaders in medium and low-priced goods. Among the states, Illinois ranks second with 12.5 per cent, followed by Michigan with 11.4 per cent, Indiana with 9.3 per cent, Wisconsin with 6.2 per cent, Pennsylvania, North Carolina and Ohio with over 5 per cent each.

Sale of furniture is subject to erratic fluctuations, since replacement

depends not so much on the period of actual usefulness or style as upon prosperity and buying power in other lines. With present prospects so favorable as regards agricultural crops, railroad traffic and autumn trade generally, the furniture industry should conclude 1928 as another satisfactory year and better than last year.

Wholesale distribution is becoming stabilized through the display of goods at permanent "furniture marts" in the large cities, instead of having only two "exhibitions" each year as was the custom in the past. Retailers buy the bulk of their requirements direct from the manufacturers, and must journey to these exhibitions or marts to do so, since salesmens' "samples" would be impracticable and photographs are unsatisfactory. Jobbers do not occupy any important place in furniture distribution, nor is the wholesaler so much a factor as in many other lines.

This year-around buying fits in naturally with the general trend toward hand-to-mouth business and while it is an element toward stability, it necessitates the manufacturer's carrying larger stocks of finished goods and results in a still lower turnover of his capital. Retailers, likewise, enjoy a slow turnover, since sales per customer are infrequent and installment payment terms of one year or more are customarily granted.

Return on Capital Moderate

DURING the last two years there were but six concerns in the lumber and furniture industry publishing reports that showed $1,000,000 or more net profits. A calculation of the return on invested capital will furnish some index to the relative prosperity of the industry, but it must be remembered that these companies represent the largest and most successful in the group.

Long Bell Lumber Corporation is probably the largest lumber producer in the United States. Headquarters are in Kansas City and extensive timber properties are owned in the Middle West, South and Pacific Northwest, including the vast development of the city of Longview, Wash. Net profit in 1926 amounted to $2,718,000 but this dropped to $1,498,000 in 1927 due to the general overproduction and price-cutting prevalent in the industry. On the basis of capital and surplus at the beginning of each year, this profit represented a return of 4.8 per cent in 1926 and 2.6 per cent in 1927. Great Southern Lumber Company whose territory is in the softwood regions of the South, reported net profits in 1926 of $1,596,000 and 1927 of $1,911,000, representing a return on invested capital in the two years of 6.7 and 7.8 per cent respectively.

American Seating Company of Chicago, leading manufacturers of chairs for theaters, schools, etc., reported earnings of $1,229,000 in 1926 and $938,000 in 1927, which was at the rate of 13.4 and 17.0 per cent respectively on invested capital. Hartman Corporation of Chicago, which operates a number of retail stores in the Middle West, had profits of $1,414,000 in 1926 and $1,013,000 in 1927, which represented a return on capital of 7.2 and 5.0 per cent respectively. Spear & Company, of Pittsburgh, which sells furniture through its several retail stores and by mail order, increased its earnings from $870,000 in 1926 to $1,150,000 in 1927, which represented return on invested capital of 8.3 and 10.7 per cent respectively. Celotex Company of Chicago, manufacturers of wall board, reported earnings of $1,130,000 in 1926 and $817,000 in 1927 (years ended Oct. 31), which represented a return of 30.9 and 9.3 per cent respectively.

Prices Recover

AVERAGING the results of these six premier companies gives a return on capital of 11.9 per cent in 1926 and 8.7 per cent in 1927, which is certainly not excessive when compared with successful companies in other lines, such

as automobiles. Results of the smaller concerns were still poorer, for with the trend toward mergers to effect economies, and hand-to-mouth buying with the producer carrying more inventory, gains of the larger organizations have frequently been at the expense of their smaller competitors.

Reports of five lumber and furniture companies for the first six months of the current year show a decrease of 10 per cent compared with the corresponding period of last year.

Lumber prices have had a moderate recovery this summer as shown in the accompanying chart, but are still below last year's level. Composite index of softwoods prepared by the "Lumber Manufacturer and Dealer" stands around $28.80 per thousand feet compared with $29.83 in September, 1927, while the similar hardwood index is around $39.80 compared with $41.51 one year ago.

Women Bankers to Meet

THE Association of Bank Women, a national organization of women bank executives, will hold its sixth annual convention at Philadelphia, Pa., on Sept. 30-Oct. 4, simultaneously with the American Bankers Association.

It is not, however, a division of that organization but holds its convention at the same time in order to give its members, who may also be delegates to the larger convention, an opportunity to attend those sessions and to have the benefit of contacts and discussions of such gatherings.

Canadian Banks

(*Continued from page* 231)

Canada. The figure on June 30, 1928, was 3915—a gain of 134.

Apart from the lessons of overexpansion, new factors in economic life have induced new policies in respect to bank branches. Good roads, the motor car and the telephone have brought the farmer into touch with the cities and larger towns. He may still prefer the nearest bank for his own account, though marketing and buying in the larger place often leads him to bank there also. The business houses in the small places have suffered, however, and good loans at these points are thereby limited.

Distribution of bank branches in Canada, as at June 30, 1928, in comparison with population, is as shown in the accompanying tabulation. This ratio of 2400 people for every branch may appear small when compared with the ratio of about 4000 people for every bank in the United States. There are differences in conditions, however. The United States has its areas of scattered population, but they are not so great proportionally as in Canada. Saskatchewan and Alberta are still sparsely settled, even as compared with the western states. In British Columbia and Manitoba there are large cities, and the ratio is much higher. In the three Maritime provinces, where the farming population is small, the number of people per bank is large.

Another factor in Canada is the branch system. Whatever arguments may be advanced on other points, the big banks are able to provide more banking units than is a system of independent banks. They can open and carry a branch in a small center before it is warranted by the business done. It is difficult to conceive of any Canadian community not now served that could have a bank locally organized and successfully conducted.

	Population Official Estimate, 1925	Number Branches	Population per Branch
Prince Edward Island	87,300	28	3,100
Nova Scotia	536,900	135	4,000
New Brunswick	403,300	102	4,000
Quebec	2,520,000	1,120	2,300
Ontario	3,103,000	1,355	2,300
Manitoba	656,400	231	2,800
Saskatchewan	833,000	454	1,800
Alberta	651,700	290	1,900
British Columbia	560,500	196	2,300
Yukon and Territories	12,100	4	3,000
Totals	9,364,200	3,915	2,400

Revision of Reparations and War Debts

(*Continued from page* 208)

indemnity upon France (5,000,000,000 francs). Within a few months France paid Germany in full and ended the intergovernmental relations on the debt questions. But France's debt wasn't paid. She borrowed the money in all of the markets of Europe, including that of Germany. She has been paying interest on it ever since.

It seems to me likely that the German reparations problem will be finally settled in a somewhat similar manner. Proposals looking to that end have recently been attracting attention. It may be doubted, however, whether a cash settlement of the total reparations is feasible at this time. Conditions in Europe are becoming more stable and this form of settlement becomes increasingly more practicable. When it takes place the total capital sum should depend upon the ability of the investment market to absorb German bonds and an impartial consideration of Germany's equitable contribution. In the past the reparations have rested upon the clauses in the Treaty placing upon Germany the sole responsibility of the war. The world no longer accepts the thesis that the responsibility for the war is Germany's alone. Reparations must be defended on the principle that this is Germany's equitable contribution to the burden of restoring the damages wrought by the war.

Together Yet Apart

DOES a readjustment of the reparations involve revision of the allied debt settlements? Undoubtedly it would bring the issue to the fore. From the economic standpoint reparations and debt settlements are inseparable. Politically the two must not be entangled.

Revision of the allied war debts is being strongly urged in this country and abroad, not merely as a possible concession to reparation readjustments, but as an independent issue. In view of the many voices being raised against the debt settlements it is in order to inquire what is wrong with them.

One of the economic arguments urged most strongly against collection of the debts is the effect this would have upon our foreign trade. We must be paid in goods or services—in visible or invisible imports. So much must be granted at the outset. Consequently there has been considerable apprehension felt at times about our future balance of trade. But when compared to our total foreign trade the debt payments are really quite insignificant. In 1927 our total imports—visible and invisible, including the purchase of long time securities—was over $9,000,000,000. The war debt receipts of $206,000,000 account for only a little over 2 per cent of the total. The conclusion seems inevitable therefore that we need not reduce the debts because they constitute a menace to our foreign trade, actual or potential.

Another economic argument urged in support of revision is protection of private investment. At the end of 1927, the Department of Commerce estimate placed our aggregate of private long time investments abroad at from $11,500,000,000 to $13,500,000,000. It has been feared that the receipt of debt payments will have an adverse effect upon the transferability of the interest and dividends on these private investments. This may become a very practical factor making for debt revision, but in the writer's opinion should not be given important consideration. In the first place the pace of new foreign investment is not slackening, which shows the willingness of American capital to face this contingency. In the second place less than a third of the total is owed by European debtors.

The Case for Revision

THE arguments which appear to the writer to deserve serious consideration are those of justice and expediency. It is well, however, to preface a discussion of these arguments with a statement that the legality of the debts is unquestioned.

In the first place it is urged that the loans were extended to enable the United States to make its contribution to the war. The authorizing act itself states that the credits were to be extended "for the purpose of more effectually providing for the national se-

curity and defence." Not a dollar of this money was advanced until April, 1917, when we entered the war against Germany ourselves. Speeches in Congress in 1917 have been cited to show that the leaders in Senate and House were indifferent concerning repayment of the credits. The ardor of the average American citizen upon this point, however, has been cooled very decidedly by the terms of the peace treaty and the seemingly unwarranted post-war military expenditures of debt-ridden nations. Individual views toward this argument will be influenced largely by one's attitude as to the causes and consequences of the war.

A second argument for revision rests upon the comparative burden of the war upon the nations involved. The debt payments will be of slight importance in comparison with our national income of nearly $90,000,000,000 per annum. On the other hand, they press with real severity upon the debtor nations.

A third indictment against the existing debt settlements is the long period of payment. Future generations will be called upon to pay debts which will seem to them as tribute to a powerful ally. Is it not more expedient to convert them into private loans even at a reduced figure? Each government may then handle its obligation as it sees fit; the inter-governmental relations will be at an end.

The Anglo-Saxon Spirit

A FOURTH argument against the present settlements is their inequity. We cannot but admire Great Britain for her attitude. She made enormous loans to her allies—double what she owes us. These loans she can only partially collect, but she has entered into a funding agreement which amounts to virtual fulfillment of her debt to us. On the other hand, we have made large cancellations of some of the other debts through reduction in the interest. This has been justified on the basis of capacity to pay. Isn't the difference partly due to the Anglo-Saxon spirit of regarding a debt as a debt? Has our policy toward our debtors been entirely "just" in this respect as required in the Funding Act of 1923?

One further argument may be urged for revision. Our allies received goods at the peak of war prices. The change in the price level today makes it necessary to repay approximately 50 per cent more goods than they received. In determining capacity to pay this element of the situation may have had some weight, but no explicit allowance was made for it in the debt settlements. True, our standard of deferred payments is dollars and not goods. It is also true that individual war debtors are struggling under the burden of debts contracted at peak prices without any hope of adjustment. But this can hardly be called "just." In dealing with huge international indebtedness adjustment might properly be made for this reason. The Dawes Plan explicitly provides for readjustment of the reparation annuity in consequence of material changes in the price level.

Opposed to revision is the argument that large concessions have already been made and that any further reductions would impose an unfair burden upon the American taxpayer. We have already shown that any computation of the extent of American cancellation involves an arbitrary assumption as to a fair rate of interest. Attempts have been made to distinguish between the pre-armistice and the post-armistice debt. Such a distinction is untenable except for the relatively small proportion of the total represented by sale of war material and relief credits.

If considerations of justice point the way toward reduction of debt payments how will our Federal revenue be affected? Total receipts of the United States from Federal taxation amount to approximately $4,000,000,000 per year. War debt receipts of the United States Treasury in 1927 were $206,000,000, or between 5 and 6 per cent of the Federal revenue. The budget surplus of the past year was approximately $400,000,000. If our present rate of retirement continues our own Liberty bonds will all be paid off before half of the sixty-two-year period of the debt settlements has elapsed. It appears therefore that even complete cancellation of these payments would not materially disturb our public finance.

Few, if any, revisionists, however, are urging complete cancellation. The ma-

jority hold that in the end moderate lump sum payments will be substituted for the present reparation annuities and also the debt payments. The time is probably not yet ripe for a rereckoning. Revision has already taken place on a large scale. The Dawes Plan revised the impossible arrangement that preceded it. Congress receded in 1923 from the position taken in creating the Debt Funding Commission in 1922 to permit a large measure of cancellation in the interests of justice and expediency. Precedent is clearly on the side of revision.

Read the warnings in the Protective Section of this issue.

National Bank Conditions

A DECLINE of 105 in the number of national banks over a period of twelve months was revealed in the reports of conditions made in response to the June 30 call issued by the Comptroller of the Currency. At the same time record total resources were reported.

On June 30 there were 7691 national banks with total resources of $28,508,239,000 which was $1,926,296,000 more than was reported by 7796 national banks on June 30, 1927.

Affiliated Companies

(*Continued from page* 200)

the proper scope and functions of security companies affiliated with banks is beyond me, nor have I any desire to attempt to play the dangerous rôle of prophet concerning the future of such companies. But I do feel that there are certain danger signals to be heeded.

Many factors are to be considered—the bank itself, the type of business carried on, the character of its clientele, the sort of community in which it is situated—all of these things should be weighed, and, further, no bank should undertake to operate such a company unless it is prepared to furnish an efficiently trained personnel to conduct the business on a high plane. In any case, an affiliated company should not be created unless it is deemed to be necessary for the legitimate expansion of the bank's activities.

After all, the question is just how far the activities of a bank as we know it today ought to be extended, rather than a question of the scope and functions of the affiliated company. A security company in every case is in existence solely because of its affiliations with the bank, and care should be exercised in developing the affiliated company to see to it that it does not become a case of "the tail wagging the dog."

Inescapable Effects

IT is admitted that security companies in the main have performed a splendid service and are, perhaps, a necessary development in the modern tendencies in banking. There is little to be feared from the seasoned companies operated by the large metropolitan banks, as such companies have performed a very useful function, and, because of their affiliated banks' ability to command a trained personnel, their record has been exceptionally clean. If, however, we are going to have a general aping by small country banks of such companies because of their success, and security companies are created wholesale without reference to need or ability properly to conduct them, grave consequences are apt to ensue.

Whatever the setup and technique of a subsidiary company, or whatever the scope of its functions, its affiliation with the bank should constantly be kept in mind in all its transactions. It should be conducted always with the full realization that, although it may be a separate legal unity, it in most cases virtually becomes a part of the bank and is so viewed by its customers and the general public. Therefore, it is imperative that it does not engage in risks which would be highly improper or hazardous for the bank itself to undertake. Because of the inescapable relationship, any adversity coming to the affiliated company will most surely, directly or indirectly, affect the bank. In that one respect lies its greatest danger.

Decline in Bonds

(Continued from page 195)

The decline in railroad bonds is pictured in the table below which gives the range between January and midsummer:

Title	Rate	High	Low
Atchison general	4	99	91½
Atlantic C. L. Con	4	98⅞	91½
Baltimore & Ohio first	4	98	91⅛
Central Pacific first	4	96½	89¾
Burlington general	4	98¾	91½
St. Paul general	4	93½	85⅝
Northwestern general	4	98	89
Delaware & Hudson refund	4	96¾	90½
Illinois Central first	4	99¼	91½
N. Y. Central deb. 1942	4	99	91¾
Norfolk & Western first	4	98⅜	90
Northern Pacific prior lien	4	98	89
Pennsylvania general	4½	104⅞	98
Southern Pacific ref	4	98½	91
Union Pacific first	4	99	93½

The average decline in this group is over 7 points. From a yield basis around 4 per cent, when the Federal Reserve discount rate was 3½ per cent, its members have gone to basis about ½ per cent higher though the rate of discount has advanced 1½ per cent and time money nearly 2 per cent. Late in August this group rose an average of 1½ points.

The period was also notable for the number of comparatively low dividend preferred shares introduced on the market, especially of the public utility companies, under the favor of low interest rates and the success of 4½ per cent mortgage bonds. The legal privilege given to certain preferred shares by an amendment of the act regulating investments of fire insurance companies in New York State, afforded them a broader market. Some of these issues, their offering prices and late August low levels, follow:

Title	Rate	Offering Price	Low
Abitibi Paper & Power	6	102	88
American Power & Light	5	95	85
National Power & Light	6	102	100
Illinois Power & Light	6	100	97
New England Public Service	6	97½	90
Electric Investors	6	103½	96½
Alabama Power	5	97½	92
International Sec. Corp.	6	99½	88

No attempt has been made to analyze the situation surrounding the great mass of loans that come under the general classification of "loans on lands and buildings" and which represent the investment of approximately $350,000,000 in the first half of this year. In the June record alone there were eighty distinct offerings of this character covering loans on hotels, apartment houses, clubs, colleges, churches, hospitals, garages, theaters, post offices and the buildings of fraternal organizations. This is a type of loan that has a narrow, and often a local market. Negotiations between the distributor and his client would be necessary to effect a trade. It is safe to say that interior banks are today carrying a considerable amount of such paper which, while intrinsically sound, is not liquid and never can be.

Repricing by Underwriters

THE last report of the Comptroller of the Currency, covering the year to June 30, 1927, indicated that national banks on that date held investments aggregating $6,393,000,000. The increase in twelve months had been about $551,000,000, or 9½ per cent. Investments in United States securities were approximately 40 per cent of the total held by the banks, and all others, including municipal and state bonds, railroad, public utility and industrial bonds, the bonds of foreign governments, municipalities and corporations and domestic and foreign stocks represented 60 per cent. In the fiscal year the latter group had expanded 12½ per cent against an increase in the United States government holdings of 5½ per cent.

On July 3, 1928, the 637 reporting member banks of the Federal Reserve System held $6,647,138,000 in investments, or $544,000,000 more than the year previous. Of this increase $445,000,000 was in government securities, whose total owned then was over $3,000,000,000.

The slump in the new issues of securities did not involve a great deal of liquidation. It was more the result of a repricing of these issues by the underwriters in order to attract buyers. They had been brought out too high; they could not be sold because other securities were more compensating to capital; therefore they had to meet the market's estimate of what they were worth. On the other hand the decline in United States government issues and railroad mortgages came about because of the necessity for selling by the banks that were borrowing too heavily of the Federal Reserve. They had to let go willy-nilly. Others took fright over the prices to which emergency selling drove these

securities. This produced the lowest quotations. Of course, a list of corporation bonds that had been quoted in January at an average yield of only 4⅛ per cent could not stand up with the Federal Reserve rate of 5 per cent. Throughout a study of this situation the factor of automatic equalization of current income to the going rate for money should not be forgotten.

A Radical Change

THE high bond market of the first half of 1928 was built up on the popular belief that a prolonged period of easy money was ahead and that there would be a duplication of the 3½ and 3¾ per cent income returns of twenty-five years ago. It is one of the criticisms of the Federal Reserve policy in fostering low interest rates until the stabilization in Europe has been accomplished, that this encouraged borrowing on a large scale with the subsequent overflooding of the securities market.

Instead of 3½ per cent money we now have rates in competition with bond and preferred stocks returns of from 5 to 6½ per cent. These rates are likely to stand for the greater part of this year. The fundamentals of the situation have been changed by the loss of $500,000,000 gold and the flotation of so many more new securities than the market can absorb for months to come. The yardstick of rates applicable to securities must also be readjusted when applied to United States government issues. Today the Treasury must pay the going price for money when it borrows instead of fixing the price at an artificial level during the period when it is refunding its maturing obligations. This is a radical change and one that means much to the future of all high grade issues.

Compared with prices of last January those ruling in the middle of August appear reasonable. From a trading standpoint this is true. However, the banks have not yet completed their emergency selling. They will be out of the market indefinitely. This leaves it to the general public, the insurance companies, estates and investment trusts. They will again become buyers when it is more profitable to place their capital in bonds than in the open money market or when they temporarily abandon common stocks because their price is so high and their return so low. The result of this deadlock between distributors of long term bonds and their regular clients will probably be a period of six months or a year of comparatively little refunding of old loans in advance of maturity, an increase in the volume of short term corporation paper and a welcome cessation of foreign financing.

Intermediate Loans

(*Continued from page* 197)

it is also to be noted that the amount of business done during the first five months of the current year as compared with the amount done in the same period of 1927 shows a loss of 5.4 per cent. The loss in volume of business done with cooperative associations and similar institutions coming within the scope of the law in the first five months of 1928 as compared with the same period of the previous year was 27 per cent. The trend is unmistakable.

Situation Puzzling

AS a matter of fact the cooperatives never have made the use of the intermediate banks which has been anticipated. Up to Dec. 31, 1927, only seventy-seven cooperative associations had borrowed from these banks. While these seventy-seven cooperatives had a membership of more than a million individuals, according to the Farm Loan Board, the number making use of the intermediate banks is not very impressive in view of the fact that according to the statistics of the Department of Agriculture there are something like 13,000 cooperative marketing and purchasing associations in the United States, approximately 150 of which did a business in 1927 of over a million dollars each. The annual business of several of these associations exceeded fifty million dollars each.

The comparative restriction in the nature and volume of the business done by the intermediate credit banks with cooperative associations also is indicated by the character of the loans they have made. Of the $52,704,473 loans to cooperatives outstanding on Dec. 31, 1926, $25,675,732 were upon cotton, $13,747,351 were upon tobacco and $2,412,977

upon rice, the other principal items including $3,500,628 on wheat, $4,700,000 on raisins, and $1,463,913 on canned fruit and vegetables. The proportion of loans on these various commodities in 1927 was much the same although in greatly reduced volume. Of the total of $31,990,596 loans to cooperatives outstanding at the end of last year cotton carried $14,943,932; tobacco, $4,298,607; raisins, $5,950,000; rice, $1,814,884; canned fruit and vegetables, $1,142,390; and wheat $2,536,682. In other words three southern products carried about four-fifths of the total loans in 1926, the proportion being reduced to about two-thirds of the total in 1927 by increases in loans on California products which carried most of the balance of the loans in both years.

The situation is rather puzzling not only because of the manifest advantages afforded by the intermediate credit bank system but also because the general cooperative movement has received the most cordial support of the agricultural authorities of the federal and various state governments. However it should be noted that many cooperative associations have found it advantageous to organize agricultural credit corporations through which funds are advanced to their members for crop production and marketing purposes by rediscounts. The fact remains that the majority of the credit corporations are not subsidiaries of cooperative associations but are corporations organized, largely by farmers but also by bankers and business men, for profit.

They Have a Niche

THERE is a margin between rates of interest they can secure from farmer borrowers and the rediscount rates offered by the intermediate credit banks which is attractive and which undoubtedly explains much of the present tendency in the business of these concerns. It is also to be considered that much of the direct service to agriculture afforded by these banks is through live stock loan companies. The Farm Loan Board believes that there is considerable room for the expansion of this live stock financing, the extent of the expansion "depending largely upon the organization of additional properly capitalized and efficiently managed loan companies." Herein also the tendency is in the direction of rediscounts and not in the direction of loans to cooperatives.

Withal, the business of these banks is not only not increasing but it is actually decreasing. The gradual contraction in the volume of their business cannot do otherwise than raise the question of their ultimate part in the credit system of the United States. That they have a certain niche in the nation's business structure seems evident not only from the total business done but in the volume of business still handled and particularly in the influence these institutions have upon the general course of rural credits. It seems probable, also, that the credit needs of the farmers have changed during the past two or three years and are running more to short term loans than to loans exceeding six months.

It is quite possible and even likely that at any time conditions may change so as to make longer terms desirable and in such an event the business of the intermediate banks will doubtless increase accordingly.

(See page 197)

Loans Held by the Twelve Intermediate Credit Banks

	Loans to Cooperatives	Rediscounts for Other Banks	Total
December 31, 1925	$53,780,151	$26,271,683	$80,051,834
December 31, 1926	52,704,473	39,729,811	92,434,284
December 31, 1927	31,990,596	43,923,940	75,914,536
May 31, 1928	16,705,108	54,193,926	70,899,034

Loans Placed by the Twelve Intermediate Credit Banks

	Loans to Cooperatives	Rediscounts for Other Banks	Total
Year 1925	$124,174,009	$53,458,931	$177,632,940
Year 1926	102,941,340	73,505,170	176,446,510
Year 1927	54,991,393	87,242,385	142,233,778
First five months, 1928	8,531,498	35,975,470	44,506,968
First five months, 1927	11,536,652	35,512,176	47,048,828

Foreign News and America's Business

(Continued from page 194)

sues have been floated in this country, there is still evidently considerable room for more searching queries on these matters, particularly on the part of the small banker, that unfailing "father confessor" of the investor of moderate means.

With nearly $14,000,000,000 of private capital now invested abroad and an apparently unabated flow still continuing, it would seem to be highly advisable that every banker in the country inform himself at least as to the available source of reliable data beyond and behind those so alluringly presented in the prospectuses and announcements from the great issuing houses.

Grim Perplexity

EUROPE still takes nearly half of our total exports and her buying power determines the prospects of many of our other lesser markets, which jointly account for a large part of the other half. In view of this, it is of special importance that our business organizations be accurately and promptly informed as to those major problems which are now baffling the Old World. Currency stabilization is now an accomplished fact in practically every country, but there are still other pending difficulties.

One of the outstanding issues is the grim perplexity of the disposal of surplus workers, those tragic derelicts cast aside in the onrushing turmoil of economic readjustments during this last hectic decade. Doles and unemployment insurance premiums may soothe but they cannot heal such grievous wounds in the war-torn industrial and commercial systems of the Old World. The leaders of Britain and Germany, the chief sufferers in this respect, are making mighty efforts to overcome the difficulty, but success is still far from being achieved. No intelligent American observer can afford to overlook the progress of this crucial struggle.

The gravity of such paramount issues as reparations, war debts, new commercial treaties, tariff readjustments, and general industrial rehabilitation through cartels and similar mergers, would scarcely seem to require comment. The purpose of these observations has been rather to point out certain other factors which are more likely to be overlooked, but which are, none the less, vital in their repercussions upon our own business future.

With the ever widening circle of our contacts with business in all parts of the world, with the search not only for foreign markets, but for steadily increasing quantities of raw materials necessary for our expanding industries, it should be the part of wisdom and prudent foresight, particularly for our bankers in connection with their advisory services to industry and trade, to be well informed on these major tendencies.

SAVINGS and loan associations of the state of Washington paid out more than $2,500,000 in dividends or interest on savings at the mid-year payment period. Actual reports of fifty-five institutions showed $2,395,502 paid, while eighteen associations which did not report had estimated dividends of $110,000.

Trend of New Financing

TOTAL security offerings in the first half of 1928 amounted to $5,700,000,000 as compared with $5,300,000,000 in the first half of 1927 and $4,100,000,000 in the first half of 1926 according to the Federal Reserve Bank of New York. The increase over last year was attributed wholly to an increase of about $400,000,000 in refunding issues.

Preliminary figures for July, however, showed a pronounced decrease in new financing, much greater than the usual seasonal decrease. The July total was only about one-fourth as large as the June total and approximately half as large as the total of July, 1927.

The decrease in new financing in July, says the Reserve Bank, may be ascribed to the very heavy offerings of the first half of the year made during a period when gold was being exported and interest rates were rising, and to the generally over-loaned position of the banks of the country.

The Stage Banker

(Continued from page 191)

are a great deal like voters who vote "no" on initiative and referendum matters they do not understand. The banker turns thumbs down on bad loan proposals or on loans which cannot be supported by sufficient or intelligible information. Some borrowers know their application is improper and endeavor to befuddle or conceal the facts. They become highly indignant when their application is denied. They go out fulminating against the bank and the banker, threatening to see to it that the bank shall lose all its patronage, particularly their own. This they magnify out of its usually microscopic character into something of enormous size and colossal value.

Like A Woman Scorned

ANOTHER variety endeavors to obtain credit it is not entitled to by employment of the coercive power of haste. In colloquial parlance, the would-be borrower attempts the rush act. He hopes to catch the banker off guard, to induce him to grant the credit before he can satisfy himself that the application is a proper one instead of a request for a gift in disguise. The experienced banker is not fooled by this method. If he does not deny the application forthwith, he is just as deliberate in ascertaining the facts in the case as the borrower is hasty and insistent. The usual result is a negative answer and a baffled patron whose anger is like that of a woman scorned.

One of the most difficult loan problems for the banker to solve is that presented by the honest and perhaps worthy borrower who expects the banker to know all about the borrower's proposal in a few minutes and to grant the credit accordingly. Though he may have been planning the application for several months in which time he has had the opportunity of studying exhaustively its most intricate ramifications, he gives the banker but a few minutes to learn and know all about it.

He is surprised and shocked when the banker either displays inability to comprehend the situation in that short period or asks for further time to investigate and consider it. He fails to recognize how unbalanced a transaction it is or how unfair he is to the banker. He is simply incapable of giving proper weight to the differences between his and the banker's position for he is blinded by self-interest. Because of his failings in temperament or judgment, he becomes resentful and thereafter readily subscribes to the stage standard of bankers with a few original ideas of his own thrown in.

The Portrait's Origin

MANY borrowers make themselves believe their loans are declined for personal reasons. They harbor various complexes — religious, political and the like—which cause them to ascribe their failure to obtain the credit they ask for to anything but the right reason. When the banker declines a loan only in the very rarest instances is he concerned at all with his personal relations with his applicant. He declines it for sound business reasons; he no more endows his sale of credit with personalities than the grocer refuses to sell sugar to a customer of different religious persuasion.

These examples of customer dissatisfaction, it will be noted, are found entirely in the discount function of bank operation. There, rather than in any other department of banking, must we search if we are to find the origin of the stage banker portrait and the reason for its persistent recurrence. It persists because its origin is a constantly recurring one; its seed is latent in every credit transaction. Whether it bursts into growth depends on two things, one, the manner in which the negotiations are handled, the other, the fate of the application.

The manner in which a banker handles a credit transaction depends on his personality and the character of his courtesy, both of which are amenable to cultivation and control. It is easy for some men to be courteous and considerate; difficult for others. All can be who wish to be, no doubt. At any rate, the buyer or credit expects courtesy for, almost without exception, he meets with it when he enters other markets for the satisfaction of his wants. He does so because ninety-nine times out of a hundred he enters a buyer's market, that is in the

sense that its salesmanship is aggressive and insistent.

But when he seeks bank credit, he enters a seller's market just as often. There salesmanship is repressed; the banker does not urge his goods upon his patron. In such a market the banker has a more or less arbitrary power. If he is arbitrarily inclined by nature and handles the credit seeker's application in that manner or, if he is lacking in the simple courtesies which make human intercourse easy and agreeable, the applicant resents it. He continues to do so regardless of the fate of his application. When he does, the business of the bank suffers to some extent and so does the reputation of bankers in general.

In the manner of handling credit applications, there is a great variety. Some bankers are capable of denying an application in such a way that all ill feeling is avoided and even good will created. Others are incapable of avoiding ill will even when they grant the application. It is for this reason that some very excellent credit men are never able to enter departments of negotiation or contact; they cannot handle the public without antagonizing it to the bank's detriment. Where such men have daily contact with a bank's patrons in handling directly their applications for credit, as is the case where the banker is both credit man and lending officer, the specter of the stage banker constantly hovers about.

With the fate of the application but little opportunity for variety of treatment exists. That is because the extension of credit necessarily follows fairly

definite rules; it must not contravene economic laws. When these are interpreted without error and the reasons for denying the application are properly given by the banker, the fair-minded borrower has little or no cause for complaint. Those who are not fair-minded will not be satisfied with anything but the granting of their application. These the banker is obliged to deny in great number. Every time he does the result is a disgruntled, dissatisfied individual before whose mind there also flashes the picture of the stage banker.

The Banker Must Endure

THESE, then, are the two principal reasons for the tenacity of life of that fabrication, one, the arbitrary or disagreeable manner of the occasional banker in conducting credit negotiations with his patrons, the other, the unreasonable, prejudiced attitude of some borrowers. It matters not that in the great majority of cases the picture is faulty and unsupportable. It still persists and will persist as long as human beings are subject to the frailties which bring it into being. So often does that occur that the stage conception of the banker has become a habit. The man of the street expects it—so the playwright invariably uses it. He would no more dare to divest the banker of that hackneyed character than a movie star would dare to so forget herself as to sign her name "Mamie Dugan, Ginsberg's Cafeteria."

So the banker must endure. He listens—and he will listen—for a thousand times or more to the story of the banker with the glass eye. He hears it over the counter from his customers and he hears it at nearly every bankers' convention he attends; some one, among the non-bankers on the program, is bound to tell it and the banker is bound to laugh—from habit and indulgent courtesy. But he is a rare banker who knows one of his ilk with a glass eye. There may be a few whose portraits would reveal one but they are the exception, not the rule; most bankers are ordinary, very human individuals like the John Smiths and Peter Jones of everyday life you know.

The future of this country rests upon establishing industrial centers in the rural regions.—President T. R. Preston of the American Bankers Association.

All in the Day's Work

(*Continued from page* 204)

Pole, Kovalski by name, who drew out $1,000 to purchase a machine for printing counterfeit money on ordinary paper by a photographic process. Of course he had seen it done, or thought that he had. Certainly pieces of paper, cut to the right size, were fed into the machine, and after a suitable delay the machine was opened in his presence and beautiful new five-dollar bills were taken out instead. They looked as good as the genuine article, and, indeed, they were. The only trouble was that, after he had paid for the machine and the vendor had departed, it wouldn't work.

A young woman intercepted me on my way to my office.

"Please tell me all about the R. L. Steele Company," she said.

"I'm sorry that I can't," I said, "but I'll look it up. I never heard of it."

"But I can't believe that," she objected. "The woman who sold me my stock told me that you were largely interested in it."

"No, I wasn't," I retorted, "but I am now. Tell me who this woman is and we'll trace this thing."

WE did. The woman who sold the stock turned out to be an honest but simple soul who had answered an advertisement for agents to sell stock in the company and had received (free) a short course in high-pressure salesmanship, during which she had been told of my being a large stockholder, and, believing it unhesitatingly, used it as a selling argument to some of our depositors.

I made a fuss about it, of course. The company "fired" the "high-pressure" instructor and submitted all sorts of statements and bank references for my examination, but I was obdurate, and advised all and sundry to leave the concern alone. This was in the day before the "Martin Law," and I could do nothing more than advise. Finally, one of the head men, I've forgotten which, came from Buffalo to see me. At first he was all sweetness and light. He made every effort to convince me of his corporation's *bona fides*. When this got him nowhere, he grew nasty, and threatened a slander suit. I urged him on. I assured him that it was just what I wanted, so as to spread the good news of what a bunch of crooks were trying to do to the people of this community—and the poor people at that. He left me in anger, promising to serve a summons next day. But he didn't. The disastrous failure of the company, which occurred some time later, tended to justify my advice to our people.

Trust Conference

THE Sixth Regional Trust Conference, for the Pacific Coast and Rocky Mountain States, will be held in San Francisco at the Hotel Saint Francis, Oct. 17-20, under the auspices of the Associated Trust Companies of Central California and the Trust Company Division, American Bankers Association.

A program covering virtually every important question in the trust field has been announced by R. M. Sims, vice-president and trust officer of the American Trust Company of San Francisco, general chairman of the conference.

The opening session will be welcomed by Mayor James Rolph of San Francisco and will also be addressed by W. F. Morrish, president California State Bankers Association. The speakers include Will C. Wood, superintendent of banks of California; Leo S. Chandler, president California Trust Company, Los Angeles; and Frank L. Lougher, assistant trust officer Anglo-California Trust Company, San Francisco.

Speakers at the third session include Ralph Stone, chairman of the board Detroit Trust and Security Company, Detroit; L. H. Roseberry, vice-president Security Trust and Savings Bank, Los Angeles, and Wm. Rhodes Hervey, vice-president Los Angeles First National Trust and Savings Bank. At the third session there will be talks by Frank J. Brickwedel, vice-president and trust officer Oakland Bank, Oakland, Cal., and A. L. Grutze, secretary and trust officer Title and Trust Company, Portland. Speakers at the fourth session include W. J. Kieferdorf and at the fifth session, Bruce H. Grigsby.

What Is the Proper Balance On Which to Compute Interest?

(Continued from page 188)

make so many exceptions to conditions laid down, that it is doubtful if it can be truthfully said that these agreements are observed."

This view applies more particularly to the payment of interest and similar matters than it does to other subjects.

The payment of interest on deposits is about the hardest thing in banking to regulate by agreement between banks. If it were not for that element known as competition, or for the fact that customers shop from bank to bank, and the further fact, that many depositors have accounts in more than one bank and consequently play one bank against another, it would be just as easy to live up to interest agreements as it is to other agreements. But, as past experience has demonstrated, with so many different angles at stake, it is exceedingly difficult for banks to keep agreements of this kind to the letter for any great length of time.

In answer to a question as to the success with which banks keep interest agreements, a banker of prominence writes as follows: "Several years ago the banks of our city reached an agreement as to a uniform method of computing interest on savings. The rate was also agreed upon. What had been accomplished here was soon known in other parts of the United States, and many requests came to us for the particulars of the plan. But unfortunately, it was only a short time before first one bank and then another began making exceptions, and in less than a year the agreement had been abrogated by every bank. Today no two banks in our city compute interest by identically the same method. We have banks paying interest monthly, others quarterly, and another class semi-annually, and we have almost as many different rates as we have methods of computing interest. As to computing interest," this banker concludes, "Each bank does as it pleases." Another banker reporting for the same city says, "We have no uniform method or rate; in fact, are farther apart today than at any time in the last twenty years."

The other side of this picture is one of hope and great promise for the future. While 30 per cent of banks reporting were pessimistic over the ability of banks to cooperate in matters of this kind, 70 per cent were not only sure it could be done, but stated that they had every reason to believe that it was being done in their localities.

To Reduce the Loss

As has been revealed, the rate paid on savings is not in itself a true indicator of the amount of interest in dollars and cents a bank pays its depositors. In other words, and contrary to general belief, the rate does not fully account for the high cost of savings, about which we hear so much today. Nor does the fact that all banks in the same general locality pay the same rate mean that the depositors in these banks all receive the same amount of interest in dollars and cents for a like amount. It does mean that of two banks on opposite corners, one paying 3 per cent and the other 4 per cent, that the one paying 3 per cent may be paying more interest to its depositors than the bank paying 4 per cent.

In the light of what this investigation has disclosed, I am recommending, that before any more banks rush into a reduction of the rate of interest that they seek to improve their methods of computing interest.

In these highly competitive times banks cannot afford to stir up their depositors to a point of resentment, unnecessarily. The "big feature" about a savings account as seen through the eyes of the savings depositor is the rate of interest his account bears. To him the rate is the "bull's eye" on which he has his eyes focused. Reduce the rate and a bank hits him on a tender spot. Naturally he resents the reduction, almost to the point of becoming defiant, if not rebellious. But change the method of computing interest to a basis that is fair to depositors and one that will enable our banks to make a

fair profit, and the change will excite no such reaction from depositors. Of course, if the change is from terms that are liberal and aboveboard to terms that are drastic and full of interest pitfalls from the depositors' standpoint, the reaction may exert itself later in the form of an open protest to the change. But in any event, the bank's best reliance is on the method of computation and not on the rate.

If, as already shown by actual demonstration, there is as much as 1 per cent difference in the rate accounted for by the method, it is highly probable that with many banks a revision of the method will obviate the necessity of reducing the rate, thereby getting relief from the pressure of decreasing profits, without stirring up customers to a point of rebellion.

It is extravagant for our banks to throw away millions of dollars in interest bonuses. It is a practice which has no good reason for its existence and ought to be discontinued at once.

If a bank has its back to the wall so far as profits go, let it reduce the number of its days of grace to the first three days of each month, if need be, and on all deposits made after the third and before the first of the succeeding month, let interest start with the first of the succeeding month. This saving will mean that for one-tenth of each month deposits will draw interest from date as an inducement for savers to deposit promptly, and for nine-tenths of each month no interest will be paid on deposits made during that period. In other words, as a compromise, banks should pay interest from date on deposits made during a fractional part of each month, although it may be only for a few days. By paying interest from date up to and including the third or the fifth or the tenth of every month, as a bank may deem advisable, our banks retain their big talking point about interest from date as those who call early in each month receive the benefit of this provision, whereas those who call later in the month have but a short time to wait for their interest to begin.

If a bank finds it necessary to institute still other economies, it might compute interest on the minimum balance during the days of grace, after subtracting therefrom all checks drawn later in the month, and in case they exhaust the minimum balance, then no interest is paid for that month. However, I am not recommending this method, as it does not treat the depositor fairly.

Other economies can be made by declining to bargain back and forth with depositors on interest adjustments when no interest is due them.

Greater economies can be made, if banks will bear down on all active savings accounts and pay less interest on them than is paid on the regular savings accounts. If more than a few checks are drawn each month, the payment of any interest might be suspended.

Other economies can be made by charging a fee of fifty cents for every savings account that is closed within thirty days of its opening date. This is reasonable and just. A concerted effort on the part of bankers in each savings center to bring order and uniformity out of the present scrambled conditions of the interest problem will go a long way toward lowering the costs of their business.

There are comparatively few centers where bankers are cooperating to the fullest extent in the matter of interest rates and method of computing interest. Wherever there is cooperation among banks, both the rate and the method of computing interest is more or less uniform. Where cooperation is unknown, the opposite is the case. With as much as 3 per cent difference in the rates in some centers, the opportunity for instituting greater economy through cooperation is very great. One good way to reduce interest costs is for bankers to pull together.

If there was ever a time in the history of banking in America when savings bankers as a whole are susceptible to any reasonable appeal for more economical methods of computing interest, it is now, while the high cost of interest is being discussed behind practically every bank counter in the land. Many banks which have heretofore maintained a more or less independent

attitude toward matters of this kind are no doubt ready to listen to reason. But it remains for leading bankers to lead, and this means going to work at once to develop a more economical method of computing interest, keeping the following always in mind:

(1) That any interest rate or method of computing interest, or a combination of the two, which does not provide a sufficient inducement for the public to deposit at least a part of their savings in a bank and leave it there, is a failure.

(2) That any rate or method of computing interest, or combination of the two, which is not partial to the real saver as against the depositor who uses a savings account commercially, is weak in that it strikes at the very foundation of the savings department, the aim of which should be to make the department exclusive to real savers.

There are various ways of reducing the cost of savings deposits. One way is by cutting the rate of interest. Another way is by revising present methods of computing interest in such a way as to reduce the amount paid. If it is highly probable that in many cases the desired results can be obtained by revamping the method, I suggest that this be done, and the rate be left as it is until the revised method can be given a fair trial.

Bank Tax Situation

(*Continued from page* 186)

vested in the same manner as that of national banks, which corporations and individuals do not receive money on deposit subject to check. This is virtually a provision under which national and state banks and private bankers could be grouped in one class, subject only to the further restriction that the rate shall not be higher than assessed within the taxing district of the bank's location upon mercantile and other business real estate. This restriction would not afford the necessary protection against overtaxation. Real estate, with its uncertain value, is not a proper measure of comparison with bank shares, the value of which is readily ascertainable for tax purposes. Such a provision would permit of excessive bank taxation in a multitude of instances and open the door to endless litigation because the figure at which business real estate would be valued in any case would depend upon the judgment or estimate of the assessor. The same law virtually exists today in all general property tax states which require a uniform rate upon all kinds of property, and yet it is notorious that the law is deliberately evaded by tax authorities which assess bank shares at a much higher percentage of value than is assessed upon real estate.

Section 2 of the new Norbeck and Goodwin bills containing the retroactive provision will, of course, be opposed by the American Bankers Association.

Statistics as to Bank Capital and Taxes

AT the hearing before the House Committee on Banking and Currency on May 11, the General Counsel of the Association was requested by the Committee to obtain information as to the total banking capital, resources and taxes paid by national and state banks in each state and to prepare a table of said statistics to be presented at a subsequent hearing for use of the Committee. In accordance with this request, the following questionnaire has been prepared for use in gathering such information:

"QUESTIONNAIRE

"Information desired by House Committee on Banking and Currency:

1. What is the total banking capital in your state for both national and state banks subdivided into
   Capital $
   Surplus $
   Undivided profits $

2. What is the total amount of resources of national and state banks in your state $

3. What is the total value of real estate of national and state banks in your state carried on their books and in their statements $

4. What is the total amount of tax assessed upon and paid by national and state banks in your state
   (a) Upon real estate $
   (b) Upon shares
      (1) to state $
      (2) locally $ $
   (c) Income or excise taxes paid
      (1) to state $
      (2) locally $ $

(d) Other taxes paid
(1) to state $
(2) locally $ $

Note: It is desirable that all the figures should cover approximately the same period of time and that the figures for taxes paid should be for the last year available."

The figures as to the first three items are obtainable from the Office of the Comptroller of the Currency; but considerable difficulty is being experienced in obtaining full and accurate information upon the fourth item as to the total of taxes paid in each state, as there are over 4,000 counties in the country to which local taxes are paid and a far greater number of cities and villages. States Tax Commissions do not generally have aggregate figures of bank taxes paid locally in each county and city. The matter has been taken up with the Office of the Comptroller of the Currency and the Treasury Department and unless the information can be obtained through some of the government departments, resort will have to be had to some one in each state to collect the information for that state. We would welcome suggestions from any of our members as to the practical means of obtaining this information in any state. In this connection we are glad to note that the Indiana Bankers Association has prepared and is about to issue a questionnaire to the banks of the state calling for the desired information.

In pursuance of the policy of creating a wider interest and greater activity in the subject of tax reform and betterment, the Chairman of the Committee on State Taxation of the American Bankers Association has been active during the summer in urging upon state associations of bankers the necessity of making a study of tax conditions in their respective states and of cooperating with the tax authorities in working out needed reforms and has addressed a number of state conventions in this connection.

Mid-Summer Activities of Tax Commissioners

DURING the summer, the Tax Commissioners of all states not represented at the hearings before the committees of Congress have been solicited by the Chairman of the Minnesota Interim Tax Commission to bring the Norbeck-Goodwin bills to the attention of their representatives in Congress and of candidates for election to the next Congress and arouse them to the necessity of amendatory legislation. An attempt was also unsuccessfully made to have a bank tax platform calling for amendment of Section 5219 inserted in the Republican National Platform. Such an attempt to interject an economic question into the field of partisan politics was more successful, however, in the State of Minnesota where the following resolution was passed at the State Republican Convention for 1928:

"WHEREAS the several states may tax shares of national banks only to the extent permitted by Congress; and

"WHEREAS the present Federal law permitting such taxation has recently been so construed as to unduly restrict the states in matters of taxation, and as to destroy laws taxing mortgages and money and credits at low rates now in force in many of the states, and as to seriously hamper the states in shaping policies of taxation, matters of purely domestic concern,

"THEREFORE BE IT RESOLVED that the Congress of the United States be, and it is hereby urged to so amend the Federal law as to save to the states the right to tax shares of national banks at the same rate as real estate and other property is taxed, and the right to continue taxing mortgages and credits by the sound and effective methods that are now in use."

Information has also been received that, in response to the activities of the Chairman of the Minnesota Interim Tax Commission, the National Association of Attorney Generals has appointed a committee of eight Attorney Generals, with the Attorney General of Minnesota as Chairman, to further the above tax legislation.

At the 21st Annual Conference of the National Tax Association to be held in Seattle, Washington, August 27-31, 1928 (while this article will be on the press), the subject of "Property Taxation as Affected by the Bank Tax Situation" is scheduled for discussion at one of the sessions, and reports will be made from typical states operating under the general property tax and the classified tax system. It is understood that supplemental conferences will be held for more extended discussion of the subject. At such an annual conference, composed

largely of tax officials, it was thought desirable that there also be present an adequate representation of those who pay the taxes, and it has therefore been arranged that representatives of the banks from several of the states will be in attendance. We trust that instead of the conference being led to indorse the amendatory legislation proposed by Minnesota and the tax authorities of a few other states, a Committee will be appointed to study the subject of bank taxation from all angles and to confer with the Committees on State and Federal Taxation of the American Bankers Association. Our Committee on State Taxation has made two comprehensive surveys of bank taxation in the United States and is well supplied with information as to tax situations and needs in all the states.

The Situation From the Bankers' Standpoint

It is apparent from the foregoing activities of the Tax Commissioners that a determined effort will be made to procure an amendment of Section 5219 at the coming short session of Congress and, failing that, to procure its amendment by a subsequent Congress in the manner proposed, and that an organized campaign is being vigorously prosecuted to that end.

From the banking standpoint, as evidenced by the resolution adopted at the Houston convention in October, 1927, which was affirmed at the Spring Meeting of the Executive Council at Augusta last April, Section 5219 needs no amendment to enable the states to derive an adequate revenue from the national banks and all the situation requires is that the few states which now complain that they are powerless to tax the national banks to the extent they would like, because of decisions which have invalidated their taxes on bank shares, change their systems and follow the lead of Massachusetts and New York by taxing national banks under the fourth (or excise) alternative of Section 5219 according to or measured by their net income at a rate limited only by the burden of taxation upon their own business corporations; or under the third (income) alternative adopted by the State of Wisconsin. In this connection it is to be noted that in California, which state desires to maintain a low rate upon intangibles, the California Tax Commission on August 10 has submitted a special report to the Governor, in which it is stated:

> "As a result of its study of the problem, the Commission has reached the conclusion that the only practicable method of securing a substantial revenue from the banks is to proceed under the fourth method permitted by the Federal statutes and tax banks 'according to or measured by net income.' Under this method the state may continue to exempt real estate mortgages and may enact a solvent-credits law without danger of invalidating the bank tax. However, the rate on the proposed new income base for the banks must not be greater than the rate borne by other financial and business corporations."

and the report concludes as follows:

> "In brief the Commission recommends:
> "(1) That a special session of the legislature be called to consider the submission of a suitable proposal for an amendment to the Constitution of the state for the approval of the people at the election in November, 1928;
> "(2) That such proposed amendment provide for a tax on banks by the only available method which will produce a substantial revenue, the so-called fourth method provided by Section 5219 of the Revised Statutes of the United States, viz., 'according to or measured by their net income';
> "(3) That such proposed amendment grant corresponding authority to the legislature to make the necessary change in the form of the present franchise tax on corporations so as to permit the use of net income as a measure of the value of the franchises of corporations; and
> "(4) That such proposed amendment remove the obstacles which, under recent decisions of the Supreme Court of the state, hamper the legislature in any attempt to tax intangible personal property (not already exempt) in a special manner, as is apparently desired by the people."

That which California requires an amendment of its constitution to accomplish can be done, without constitutional amendment, in nearly all, if not all, the other states by simple legislative enactment; and, as already shown, wherever the fourth alternative is adopted, the state is at liberty to impose whatever low rate of taxation it chooses upon intangible personal property because under such alternative the shares of a national bank are not taxed, but the bank itself according to or measured by its income, and the rate is not limited, as in the case of the share tax, by the rate upon other competing moneyed capital, but must not be higher than the burden

of taxation upon domestic corporations as defined in the Federal law.

Despite the assertions of Tax Commissioners to the contrary, there is no emergency which calls for the immediate amendment of the Federal law. Investigation has disclosed that in a considerable majority of states, the banks are paying their taxes without question, both in general property tax states and in states which impose a lower rate upon intangibles, and there is no litigation pending for the invalidation of bank taxes. In only a comparatively few of the states is litigation pending or have decisions been rendered in favor of the banks holding that Section 5219 has been violated, and in all the decided cases, as has already been pointed out, there have been such flagrant omissions from adequate taxation of capital in large amounts in the hands of corporations and individuals employed in transactions in direct competition with the business of national banks and which encroach seriously upon the profits of the banks, as to constitute an indictment of tax methods in vogue in those states. It would seem the soundest policy that the tax systems of such states be reformed rather than that Congress be asked for an amendment of Section 5219 which would permit of the continuance of a system which has been denounced by the courts as permitting unjust discrimination against the national banks. There are a number of states which exempt mortgages and which tax intangibles at a lower rate than bank shares, in which the share tax is paid without question, because of the comparative reasonableness of the rate imposed.

Suggestions to Bankers

IN view of the active propaganda for amendment of Section 5219, which cannot be regarded as a spontaneous demand from Tax Commissioners of a majority of the states, but rather a movement initiated in Minnesota and aided by cooperation of tax representatives of a few other states, it is important that the bankers of the country take what steps may be necessary in self-defense. The movement seeks to influence the attitude and vote of present members and candidates for election to the new Congress in favor of the proposed amendments. It is, therefore, most desirable that our banker members urge upon their Representatives and candidates for Congress not to commit themselves in advance to any tax amendments such as proposed, but to keep an open mind upon the subject and to oppose the present attempts to amend Section 5219, the need for which has not been demonstrated. It is highly desirable, also, that bankers in any state where the present bank share tax is unsatisfactory, either from the standpoint of the banks or the tax authorities, or both, study the situation with a view to the substitution of an excise tax on national banks under the fourth alternative provided by Section 5219 and confer with the tax officials of their state in a mutual endeavor to reach a satisfactory solution.

Volume XX of the bound volumes of the American Bankers Association Journal for the period from July, 1927, to June, 1928, are now available.

The number of bank failures in Iowa and Minnesota, as compared to the number in Wisconsin, leads us definitely to the conclusion that bank troubles are directly dependent upon an adequate population. . . . The law of supply and demand operates quite as effectively in the number of banks as it does in commerce in general.—Commissioner of Banking C. F. Schwenker of Wisconsin.

New Dimension

(*Continued from page* 220)

THE bankers' own advertising has been a factor in bringing the subject home. There is a considerable body of such advertising. Some of it is good, and some is not, and none of it is as good as it might be. The increase in the number of potential customers of banks in the few years since the war has been amazing. Banks collectively have as large a market as any business. People are buying more of everything than they did before, and this includes the products that banks sell. In spite of all the advertising now done over the names of banks, and some of them spend appropriations that would have looked big for any business a few years ago, no bank is as well advertised as a camera, or safety razor, or even a department store or cigar store. A bank should forget its competitors, the clearing house, the financial world, all that technical set-up behind it and around it, just as a manufacturer should forget his rivals, his factory, his machinery and raw materials, and think only of people as they come into the bank, and talk to them in terms of their wants, needs, desires, ambitions. A banker's advertisement should be as interesting to read as any story or news the editor has thought worth putting in his publication. A banker who doubts that his business can be told in a dramatic and entertaining way should read George Bernard Shaw's "Intelligent Woman's Guide to Socialism." The title will probably scare him, but he need not accept Shaw's conclusions (I certainly do not) to appreciate that the supposedly recondite and abstruse subjects of banking, money, investment, speculation, capital, taxes and finance can be made as clear as Arthur Brisbane and as readable as Sinclair Lewis. Do not draw a wrong conclusion from this illustration. Shaw uses his facts to bolster up his arguments. You may not agree with some of his facts. What I want to show is that the dullest subjects may be made to sparkle with interest in the hands of a man who knows how to write, and who is disposed to ignore the cumbersome technical words, and tell his story simply and lucidly. Any matter which engages the attention of a number of human beings is interesting, and can be made to seem interesting by the magic of simple easily understood words, and especially if the writer is concerned with the interest of the reader, instead of hiding ideas behind language. In short if he is sincere, candid, frank and truthful.

But not only will banks improve their own advertising, and employ capable advertising men to help them get the most out of it, they must look forward to the time when an advertising expert will be attached to their staff to appraise advertising in its relation to properties in which they are interested exactly as chartered accountants, mining engineers, public utility experts, and other specialists advise them on physical

and financial problems. A bank must know not only that advertising is good, but what advertising is good. They must know the character and ability of the advertising agencies, know whether the fact that such and such an agency is handling the business is an asset or a liability. They must know copy, mediums, plans, market, appropriation, and their relation to each other, and as all these are specialized subjects which no banker however skilled comes by naturally, he must have some officer who does know and in whom he has confidence to advise him. There is nothing unprecedented in this. The list of experts whom bankers consult is growing all the time, and those who are needed oftenest are usually made part of the organization. Here is an important new factor in business which must be reckoned with more in the future than in the past. Even a banker should have respect for a business (almost a profession), which has reached an annual expenditure of a billion and a half dollars.

Federal Reserve Policies

(*Continued from page 232*)

price level by stabilizing the money market. In so far as the money market is a factor in the price of goods a stable money market exerts a stabilizing influence on prices.

Banks Not Price Boosters

"BUT there are many things besides the cost of credit or the price of money that enter into the prices of commodities. We cannot get around the very old law of supply and demand. If both the United States and Canada should produce an abnormally heavy crop of wheat; and the corn states should produce a light crop of corn, you would see low prices for wheat and high prices for corn irrespective of any Federal Reserve policy. Banks cannot boost the price of one great staple commodity and reduce the price of another, regardless of the plethora of one or the shortage of the other."

At the close of his appearance before the committee Governor Harding was asked as to the attitude of the ordinary banks toward the open market operations of the Federal Reserve Board. He replied:

"Taking the banks by and large I think they approve of the operations. I know of some individual cases where banks, possibly for selfish reasons would prefer that the Federal Reserve Banks keep out of the market and let them control this business."

Looking Ahead

BUSINESS during the remaining months of 1928 will probably be better than it was during the corresponding months of 1927, according to the business bulletin of the Cleveland Trust Company.

So far this year, says the bulletin, the key industries of iron and steel, building construction and automobile production have made an impressively good showing.

Condition of Business

(*Continued from page* 236)

pear in the classified earnings table accompanying this review.

Railroad markets have been quiet for some time, and the apparently interminable delays in effecting mergers due to the technicalities of I. C. C. requirements and demands of minority stockholders have discouraged traders. But mergers will undoubtedly be completed eventually and there appears to be a likelihood that non-dividend payers will be taken over at prices based on asset value rather than on earnings.

Bondmarket Slightly Firmer but New Issues Infrequent

OFFERINGS of new securities have been the fewest in years, due to the higher money rates which naturally make the purchase of bonds less attractive. In July there was offered publicly a total of $133,563,000 in contrast with $275,832,000 in July 1927 (which was the smallest month of 1927) and in August a total of $125,000,000 (preliminary) contrasted with $356,259,000 in August last year.

In our July review we gave a tabulation of new financing for the first six months, illustrating the tendency to run below last year, which has become much more pronounced since then as shown by a similar tabulation brought down to date.

	New Financing, 1927	1928	Per Cent Change
January	$653,353,000	$541,103,000	—17.2
February	578,500,000	534,343,000	—7.6
March	455,185,000	622,859,000	+36.7
April	697,973,000	649,965,000	—6.9
May	667,105,000	549,467,000	—17.1
June	595,496,000	481,376,000	—19.2
July	275,832,000	133,563,000	—51.6
August	356,259,000	*125,000,000	—65.0
8 Months	$4,279,703,000	$3,637,588,000	—15.1

*Preliminary.

In the face of high money rates this summer, bond prices have held surprisingly well and recently appear to be firming upward again. Measured by the New York *Times* average of forty seasoned domestic bonds, the index stands around 90.00 compared with the current year's high of 93.60 reached on May 3 and the low of 89.24 on Aug. 14.

Standard bonds are cheap at present prices, according to the opinion of conservative investment bankers. It will be recalled that last midsummer there was a marked falling off in new offerings the same as occurred this year, except that the reason then was a glut of the market caused by excessive underwritings while this year the reason is tight money.

Just as a few weeks of marking time restored healthy conditions last year, so it may be expected to normalize the present situation. New capital is accumulating continually; it must go into the buying of bonds and stocks; it comes in millions of dollars daily from the insurance companies alone; it reduces brokers' loans; it will raise prices and invite new offerings again very soon—or all signs fail.

Following are the underwritings of $5,000,000 or over during the month. One will note, in addition to the small number of issues, that the yields are considerably higher than this spring, and that the principal issue is in one to three-year notes, which obviously represents temporary financing rather than permanent or long-term.

The Outlook for Money

BANK authorities seem to agree upon a forecast of relatively high money rates for the fall months. There seems to be no expectation of any further advance in money rates from the general levels at the end of the summer but predictions leave no room for early reductions.

Pointing out that the normal tendency from this time on is for expansion, and that all signs now point to active business this fall, the National City Bank of New York says:

"Under the circumstances, unless there is clear evidence that Reserve credit is being diverted on a considerable scale to uses not contemplated by the Reserve Act, it may be considered improbable that the Reserve banks will make an effort to restrict the use of credit. The member banks will be free to obtain all they may wish to place at the service of trade and industry, and it is not improbable that the Reserve institutions will improve the opportunity to replenish their holdings of government securities.

"This purpose, we take it, does not give promise of lower market rates on non-eligible collateral than have been prevailing over the last three months, and it would be rash to assume that lower rates for that class of paper will prevail at any time that now can be named. If the demands of general business shall relax as usual after the beginning of the new year, the Reserve authorities will be quite consistent if they shall hold the time opportune for a substantial reduction of member bank borrowings."

According to the Guaranty Trust Company of New York it seems certain that a period of high money rates will continue through the fall, and no sustained or important easing seems likely until the turn of the year. It says:

"The prophecy is generally made that an average call money rate of 6½ per cent and a commercial rate of 5½ per cent may be expected. Variations above and below these levels are certain to come, but the general trend seems to be clearly defined.

"The probable effect of higher money costs upon business then becomes a matter of immediate concern and importance. Some possible effects may readily be suggested, such as the retarding of speculation, a reduced volume of new financing, curtailment of plans for business expansion and plant extension, fewer new investment projects, a decreased volume of installment selling, and less new construction."

Credit Control

(*Continued from page* 215)

resents funds placed at the disposal of the banks by savings depositors, who use this channel of investment, and to what extent it is the consequence of an increase in the practice on the part of business men and corporations of carrying deposits, not immediately required for current operations, as time deposits rather than as demand deposits.

"Whatever the origin of the time deposits, however, the fact that the total of demand and time deposits has increased during the year indicates that member banks have an increased volume of funds available for use in extending credit for long or short time periods to the different enterprises of the country. Furthermore the fact that time deposits have increased more rapidly during recent years than the investments of member banks indicates that a considerable proportion of the funds representing time deposits has been used in the granting of loans and particularly loans on securities."

Larger Loaning Latitude

THE board's study of the situation brings one important fact forcibly to the front. Demand deposits are being turned into time deposits. The result is lessened reserve requirements. It can not be said that all of the more recent decline in demand deposits is due to this trend. Gold exports since the first of the year have pulled down demand deposits. Nevertheless the expansion of time deposits has gone on steadily.

Here is an "uncontrolable" factor on the inside. Banks have a much larger loaning latitude when the reserve requirement is only 3 per cent than when it is 7, 10 or 13 per cent.

Hence the question of the adequacy of the reserve requirements for member banks is arising. It is being suggested that the requirement on time deposits is altogether too low in comparison with those on demand deposits. There is some opinion favoring a greater latitude being granted the Reserve Board in determining reserve requirements under different circumstances. There is a theory that total loans and investments would furnish a more workable basis for reserves, from the standpoint of controlling expansion, than deposits.

New Machinery Needed

ON the other hand there is a feeling that except for decreasing the margin between the reserve requirements on time and demand deposits care should be exercised to provide for an economy of reserves, should there ever come a time when there might be a scarcity instead of an overabundance of gold. There are obvious objections to authority being granted reserve authorities to determine reserve requirements arbitrarily.

Meanwhile the Reserve Board has no further control over reserve require-

ments as fixed by the law than the determination of which banks shall pay 7, 10, or 13 per cent on time deposits. There is room for some readjustments in the present classification of member banks which may be remedied. Discussion of means of providing a more equitable ratio between reserve requirements for time and demand deposits will come later, when the reserve system seeks the new parts for its credit control machinery that it is finding out are needed.

Farm By-Products

(*Continued from page* 212)

and for the family, the more inconspicuous products of the farm. And, after all, it is this provision of family comforts by the family farm that is likely to do more to increase the immediate satisfaction of the individual farm family than do, for instance, the tens of thousands that may be saved in a year through cleaning spring wheat.

A Few Chickens

INTENSIVE studies by the Department of Agriculture have shown again and again that the standard of living among farm families, as affected by the more material items of food and household comforts, is strengthened through the growing on the farm of the things the family needs and enjoys, rather than through expenditure of increased income. A family cow, a few chickens, a garden, canned foods and stored vegetables for winter represent small expenditure, but much family comfort.

Moreover, the cow and the hens and the garden may be the means of a small and incidental family income that will bring the intangible phases of the standards of living that cannot be grown at home, for reading, recreation, travel, association, for the farm family are more likely to be secured with incidental earnings than from the regular farm income. The individual sales may be made to the neighbors, or they may be made through parcel post or wayside markets, if larger channels are not available to the family. Even in the case of these more limited channels, basic considerations, like dependable supply, no matter how small, and dependable quality, must come into play; but these factors can be secured with a small product, as well as with those produced in large quantity.

The farm wood-lot as a source of indirect income is often overlooked. Sagacious and farsighted cutting will not only bring inexpensive fuel, but will insure better crops of firewood in the future. Peanut vines, left to rot on the ground over large acreages in the South, are valuable soil food if turned under.

The October Journal

The October issue of this magazine will contain a complete report of the proceedings of the American Bankers Association convention which will be held in Philadelphia Oct. 1-4.

WHAT DO YOU THINK?

Being a more or less personal talk between the EDITOR *and the* READER

Lists 70 Tipster Sheets

IN its annual report to the Secretary of Banking the Pennsylvania Securities Commission, created to protect investors against the wiles of vendors of fraudulent securities, says:

"The method of selling 'Blue Sky' to the public has, to a large extent, been changed to the operation of the so-called 'tipster sheets.' During the last year or two, in nearly all cases where citizens of Pennsylvania have been defrauded, it has been accomplished through the use of these sheets. Tipster sheets are mailed from outside the

state to citizens of Pennsylvania, in most cases either from New York City, Boston or some city in New Jersey. These sheets highly recommend some one particular issue that they desire to sell the unwary investor. In order to hide their real purpose, they include information about several other well-known securities. The tips given in these sheets are followed up over the telephone and by telegraph wire from outside the state. Of course, these solicitations could not be legally made in person within the state. Such an attempt would be speedily detected and the parties prosecuted. Despite the very efficient and hearty co-operation of the authorities of the states from which these sheets are mailed, the Pennsylvania Securities Commission is nearly helpless to protect citizens of Pennsylvania who are foolish enough to deal over the telephone, by mail and telegraph with concerns located outside of the state and not registered under the Securities Act."

Then there is given a list of seventy publications which the Commission classifies as "tipster sheets," many of which have alluring names. What is true in Pennsylvania no doubt holds good for the country as a whole, for the poorest investors are pretty sure to be receptive to tips from afar.

"Unfair Competition"

BUSINESS men as well as bankers should understand fully the competition of building and loan associations in the banking field writes Monte J. Goble, vice-president, the Fifth Third Union Trust Company, Cincinnati, Ohio. "Many important business men" he said, "are directors and have a great deal of influence in the policy of the banks, and they should, as well, understand the handicaps under which banks are working in reducing their rates of interest because of the unfair competition which they meet on account of the building and loan associations being allowed to do a banking business. The business interests of the country should have their attention called to this situation.

The South Carolina Way

EVIDENCE of the growth of the movement to check losses from unprofitable accounts comes from the South. Methods being adopted by banks in different parts of the country vary and bankers do not agree as to the extent they should go in this direction. Describing the development of the movement in his state, Henry S. Johnson, secretary-treasurer of the South Carolina Bankers Association, writes:

"Effective September first, twenty-three banks in western South Carolina will establish the "service charge" on unprofitable accounts. This, the largest concerted movement among South Carolina banks, is the result of a meeting held at Batesburg, S. C., on June 14, at which time representatives of the various banks in the western part of the state met and discussed ways and means of stopping losses on unprofitable accounts, and increasing the bank's income. I am sending you a business notice, which is typical of that used by most of the banks."

A Business Notice

At a meeting of the Board of Directors of the Bank of Gilbert, held on June 22, 1928, the following rules and regulations were agreed to and adopted:

FIRST—The bank will open at 9 o'clock A. M., and close at 2 o'clock P. M., instead of closing at four o'clock as usual. Deposits made after 12 o'clock noon will not be credited until the following day.

SECOND—A charge service of 50 cents per month will be made on any and all checking accounts against which three or more checks have been charged during the month, when the balance falls below $50.00 at the close of any business day, during said month, the charge being made to defray the expense of handling said account.

THIRD—The imprinting of name or business card on checks free of cost will be discontinued. The bank of course, will furnish customers' check forms for their personal or business use.

FOURTH—We pay 4 per cent on savings, but we will not pay interest on a balance of less than $5.00. Interest on Savings Accounts to be computed quarterly and the computation of interest shall be made on the smallest balance during the quarter. The quarterly periods for computing interest are fixed as January 1st, April 1st, July 1st, and October 1st.

FIFTH—We wish to call the attention of our friends and customers to a fact relative to the habit of overdrawing accounts and to state that we must discontinue the allowance of overdrafts to anyone in the future. This step is imperative and we hope that our customers will not embarrass us by issuing checks regardless of their balance, expecting us to use other depositor's funds to take care of same, for we shall not be able to do so.

Thinking Aloud

BANKERS, like other people, ponder over things. Frequently there are little problems that puzzle men widely separated in the expanse of a great country. Yet the thoughts of each, if put into words, might help the other. Why not think aloud through this page sometimes when the urge comes to take the pen in hand? Raising a question is the quickest way of finding the answer.

Like Synthetic Gold

IN its Pacific Coast letter, the American Trust Company of San Francisco says it might be well to note at this time that "playing the stock market" is no simple process in which a certain sleight-of-hand, once mastered, leads on to riches. Financial forecasters and stock market specialists, both theoretical and practical, have occasionally discovered the infallible formula for foretelling the market—only to have their discovery turn and rend them. Business is as old, complicated, and changing as human civilization, and now almost

every branch of it is rapidly becoming a world wide affair. The very best business man with the fullest possible information at hand and wide experience to guide him finds himself constantly puzzled as to what tomorrow will bring forth. In neither "Wall Street," the comings and goings of the "Napoleons of Finance," the call money rate, the pig-iron output, nor any of the dozen other indices is the secret of tomorrow's stock prices legible. Here as elsewhere painfully acquired knowledge is the only royal road to power; and while economics has learned considerable about the fundamental characteristics of the world's business, there is a sound basis for surmising that a true, simple, automatic, and unfailing formula for foretelling our ever changing business conditions will be contemporaneous only with synthetic gold, the philosopher's stone, and perpetual motion.

To Forestall Unfavorable Legislation

"M. E. BAUMBERGER, President of the Wisconsin Bankers Association, in a recent bulletin, says: "The Credit Bureau and Regional Clearinghouse Committee has been successful in creating eleven credit bureaus and has done considerable work on the regional clearinghouse idea.

"'This, I believe, to be one of the big problems we are facing, as we can only forestall unfavorable legislation affecting banks by making the banks of our state a perfectly safe place for the depositors' money.

"I firmly believe that the regional clearinghouses, with voluntary membership embracing practically all of the banks of a given area, will do more to solve this problem than anything yet devised. May we not have several such organizations before our Legislature meets?"

PROTECTIVE SECTION
AMERICAN BANKERS ASSOCIATION JOURNAL

Detective Agents
The William J. Burns International Detective Agency, Inc.

Make Crime Reports Complete

AMONG the notices of loss which are received daily by the Protective Department and the various branches of our detective agents, are many which give meager information or insufficient details to reconcile the case with others of record. Not infrequently these notices urge the apprehension of persons giving names in common usage such as "John Butler" or "Henry Jones," etc., and omit any information regarding his physical description or specimens of handwriting.

The Association's Protective Department has been functioning since 1891 and during this thirty-eight year period of activity, its file of criminal histories has expanded until it now contains more than 95,000 cards covering different crimes committed.

Supplementing this file, which is carefully classified, is another record which indexes the different methods and handwriting used by forgers and swindlers. In addition, the Association's system is such as to make prompt identification of finger-prints and bertillon measurements whenever these data are presented.

IN the event of any criminal attack upon a member bank, and particularly those involving forgery, the activities of the Protective Department would be expedited and therefore greatly helped if notices thereof were forwarded direct to that branch of the Burns Agency which is located nearest the reporting bank, or to the branch nearest the whereabouts of the criminal, if his location is known. In every instance, these notices should include complete details of the modus operandi employed by the criminal and particularly specimens of his handwriting, together with physical descriptions and any other available information.

QUITE often the most effective clues in an investigation are those which appear to be of minor importance when reporting a crime, and on this account it is requested that every shred of information be included in these reports, copies of which may be mailed direct to the Association's headquarters at 110 East Forty-second Street, New York City.

Obviously, specimens of natural handwriting usually reveal telltale characteristics which, coupled with the criminal's physical description, not infrequently enable the Protective Department to connect the operator with crimes previously reported and thereby furnish leads which result in prompt and timely arrests.

Contents Noted by

President ______
Vice-President ______
Cashier ______
Assistant Cashier ______
Paying Teller ______
Receiving Teller ______
Guard ______

September, 1928

Vol. XXI No. 3

Published in Two Sections— Section Two

Embezzlers Wanted

Herman Perlowski

HERMAN PERLOWSKI (3339), a former clerk in a Grafton, N. D., bank, left July 21, 1928, to go on a vacation and shortly thereafter false entries and a shortage were discovered. This man's home is at Sauk Rapids, Minn., and he has traveled rather extensively, having visited practically every state and Alaska. He likes to play poker and rummy, also to shoot crap and follows all sports very closely. He is said to know the names of all major league baseball players and their records, and will attend ball games wherever he can. Perlowski is of Polish descent but speaks English without an accent, also converses fluently in Polish and German.

He is 26 years of age, 5 feet 10 inches tall; has fair complexion, greenish-gray eyes and brown hair; wore light gray Kuppenheimer suit with faint blue stripe, straw hat turned down all around and low shoes. $100 reward has been offered for his arrest by Sheriff Melvin L. Vigness of Grafton, N. D., who holds a felony warrant and will extradite from any State or Canada.

EARL LINDLEY SAWYER (3340), alias Earl Loman Sayer, was employed under the name of Sawyer, which is believed to be his true name, by a Washington, D. C., brokerage concern several years ago, and through forgery of a customer's name, defrauded his employers of about $6,000. Sawyer was given a chance at that time to make restitution but like all crooks of this caliber, he could not resist the opportunity of making "easy money" and under the name of Sayer he recently succeeded in establishing himself as a Wilmington, Del., representative of a nationally known securities house. Up to Aug. 12, at which date he disappeared, he had succeeded in defrauding his new employers and others of an amount which is said to aggregate $100,000.

One of the several schemes this operator used was to deposit to the account of his employers in a Wilmington bank, a check drawn against his own personal account for a nominal sum. After securing a duplicate deposit ticket from the teller which would bear the bank stamp and the teller's initials, he would raise the deposit ticket to a five figure sum. On the strength of this deposit ticket forwarded to his employers in New York, he would secure additional bonds and convert them to his own use. It is alleged that he also forged the signature of customers to certificates of stock which had been placed as collateral with him and sold them, crediting the money to his personal account.

Sawyer is about 33 years of age, 5 feet 9¼ inches tall, weighing 171 pounds; fair complexion, blue eyes and brown hair. A warrant has been issued and is in the hands of the Attorney General at Wilmington, Del. His photograph is reproduced herewith. Anyone recognizing him is requested to turn him over to their local police and advise them to communicate with the authorities at Wilmington, Del. He will be extradited from any place where he may be apprehended.

Earl Lindley Sawyer

The lesson to be drawn from the activities of this operator would seem to bear out the policy of the Protective Committee, which insists on prosecution in any case it investigates. After realizing a considerable sum of money through dishonest methods, this fellow found that by reimbursing those he defrauded on the installment plan, he could still retain his freedom as a respected member of the community. Also, by the simple expedient of making a slight change in his name he was strangely enabled to secure another position of responsibility. If arrested and rigidly prosecuted in the first instance, he would have had reason to think twice before he made the second attempt. Certainly whatever restitution he made without prosecution would have been intended to secure the leniency of the court in pronouncing sentence.

$8 O. K'd Check Raised

WILLIAM STEWART (3342), alias Edgar P. Fisher, called at the Oakland branch of a San Francisco bank and representing himself as a depositor of one of their other branches, succeeded in having a check made payable to William Stewart and signed Edgar P. Fisher for $8, O. K'd. by one of the officers of the branch which he visited. He then raised the check to read $80, and on the strength of the officer's O. K. he secured the latter sum. This prompts us to repeat the warning so often carried in this Section, that checks O. K'd. by an officer of a bank should never be given back to the person who presents them for O. K., but should be given to any employee of the bank who will take the check to the teller and introduce the person who is to receive the money.

Yeager Sentenced

M. M. YEAGER (2844), whose operations were featured in the May, 1928, issue of this Section, and whose arrest was reported in the August issue, has been sentenced to a term of 21 to 42 years in Folsom Prison, Cal. It is gratifying to know that under the California law, when a minimum is set by a superior court judge, the prisoner is obliged to serve that term without any time off for good behavior or otherwise. Unless something unforseen happens, this clever and persistent operator has been removed as a danger to the banking fraternity for a considerable period of time; but as a safeguard defrauded members should make certain that their warrants are lodged as detainers at Folsom.

A Deal in Cotton

A CALIFORNIA bank reports a substantial loss through a scheme which may have been employed against other banks recently. Should any member recall a similar operation as given below, they are asked to communicate with nearest office of our agents, giving any facts which may assist in identifying this operator.

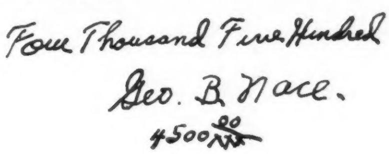
In some manner, undoubtedly through collusion with an employee, a forger obtained the signature card of a customer carrying a substantial balance. Then claiming to be a brother of the customer who resided in adjoining State, he called at a broker's office and presented a check for $4,500, ostensibly signed by his brother. He stated in substance that he desired to open an account, that his father was a cotton raiser and he being familiar with the cotton market, had recently been watching government reports and believed he saw an opportunity to make some money.

After filling out the usual customer's signature card, the check was sent through for collection, and being a good imitation of the bank depositor's signature, it was paid upon presentation through the clearings, and this amount was credited to the broker's customer.

The operator then placed an order for the purchase of 100 bales of cotton for delivery the following month and 100 bales of cotton for a still later delivery.

Apparently his statement about being familiar with the market was very true, because on the same day, cotton advanced enough to net a profit of about $1,229, and he instructed the broker to sell, and closed his account, receiving the broker's check for $5,727.59, which he later negotiated through the broker's bank. He mentioned having had accounts with Houston brokers.

A description of this operator follows: About 32 years of age, 5 feet 8 or 9 inches tall, weighing 145 to 150 pounds; fair complexion, smooth shaven. He has a large sharp nose, sharp features, thin lips, closes them tight as soon as he finishes a sentence, does not open his eyelids very wide; has a Southern accent, is spunky looking and quick to take offense; wears good business clothes.

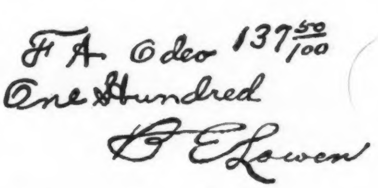


Fake Certification Again Successful

A BOGUS check operator using the name FRED JORDAN (3341), recently defrauded a New Jersey bank by means of a bogus certified check drawn on the Peoples State Bank of Detroit. Jordan is 43 years of age, 5 feet 10 inches tall, weighs about 175 pounds; dark chestnut hair partly bald. He carries a pair of glasses folded monocle style, and continually handles them. Apparently, he is a braggart and claims to be in the advertising business. As a means of identification he has a card issued by the Hertz Drive-Yourself System, and is accompanied by a woman said to be his wife.

They are traveling in a Studebaker sedan, 1928 model with New York license No. 9C—1052. His female companion is about 30 years old, a small woman of very dark complexion; slender and delicate appearance, speaking with an accent, evidently a foreigner. There is a complaint on file against Jordan with the New York police for having defrauded a New York hotel with a bogus certified check. We are advised that Jordan served time in the Atlanta Penitentiary around 1920. Other names used by Jordan are: Fred W. Buck, Fred Buckley, F. A. Odeo, H. Mann, Doc White, Dan Duke, Dave Duke. A picture of Jordan taken at the time of his incarceration in Atlanta, together with tracing of his handwriting, are reproduced herewith.

Fred Jordan



Upon Jordan's appearance at any bank, he should be detained and the nearest Burns office promptly notified.

Arrest and Hold

Bennie Palmer

THE Attalla Bank of Attalla, Ala., was held up on the afternoon of Feb. 21, 1928, by armed bandits who attacked the bank at a time when the cashier was on duty alone, and there was only one customer in the bank. They succeeded in getting away with over $16,000 and at the time this goes to press, three of the gang have been arrested, two having been sentenced to long terms in the penitentiary. The fourth member, however, BENNIE PALMER (3338), who is said to be the brains of the gang, is still at liberty. Palmer has used the aliases Bennie Parman, Bennie Berryhill, German Parmer, Jack Houston, Frank Hoppie and R. B. Mott. He is about 22 years of age, 5 feet 7 or 8 inches tall, weighs 150 pounds; has light complexion and hair; is a good dresser; formerly a pugilist and is reputed to be a good pool player, a free spender and an all around general sport. He is known to have bought a ticket on Feb. 22 in Jacksonville, Fla., for Los Angeles, Cal., and at that time it is thought he had in his possession several thousand dollars, $2,000 of which was in gold. We are reproducing his picture and anyone recognizing him is requested to effect his arrest and communicate with the nearest office of our agents immediately.

Another Holdup

EARLY in the morning of July 30, 1928, two men entered the Oklahoma National Bank at Hastings, Okla., covered the cashier, who was alone in the bank at the time, and succeeded in getting away with about $1,500. The first man is 5 feet 6 inches tall, 135 pounds, sandy sallow complexion, small mustache. The second bandit is 6 feet tall, 165 pounds, raw-boned, ruddy complexion with small sandy mustache and thick lips. These bandits are believed to come from Texas, due to the fact that one of them dropped a paper out of his pocket which had been stolen from a citizen of Plainview, Tex., some time ago, and they also headed in that direction when they left Hastings, Okla.

"No Account" Banking

L. D. GREGORY (3361), alias R. J. Copeland, opened an account in a Muskegon, Mich., bank and represented himself as an agent for the Abraham Lincoln Life Insurance Company of Springfield, Ill. After carrying his account for some time, he deposited a check drawn on the First National Bank of Ludington, Mich., purporting to be signed by a C. A. Willett, payable to his own order and marked "for life insurance." Due to the teller's confidence that he was a legitimate business man, he was allowed to withdraw against this deposit before it was returned marked "no account." Subsequent investigation disclosed that the man known as R. J. Copeland to the Muskegon bank was in reality one, H. D. Gregory who had been discharged by the insurance company from five to six years ago for cause. It is believed that this operator spent some time in the Wisconsin State Penitentiary.

ANASTO JULLIANO (3362), opened an account in a Waterbury, Conn., bank with a check for several hundred dollars drawn on the Colonial Bank, New York City. The check was subsequently returned "no account," and the operator got out of town before he could be apprehended. A specimen of his handwriting is reproduced with this warning for the protection of member banks.

To Myself 670

Anasto Julliano

C. LEDLEIGH (2785), alias Charles Leidlegh, alias George Titus, alias O. M. Powers, who was carried on page 8 of the June, 1927, issue of this section, has again succeeded in obtaining money upon bogus certified checks. He recently called at a warehouse in Dover, N. J., and after explaining that he intended to move to Dover, he presented what purported to be a bill of lading issued by the Pennsylvania Railroad and covering household furniture. After arranging for the storage of his furniture until he could secure a home and business, he requested that he be advanced some money against a check for $350 which he claimed was sent to him by his brother-in-law, O. M. Powers. This check was drawn on the Peoples Savings Bank of Lima, Ohio, and bore what purported to be a certification stamp of that bank. The correct name of the cashier of the Ohio bank appeared on the stamp. The check was returned marked "no account," and the certification proved to be a forgery. Subsequent investigation disclosed that the bill of lading presented by the operator was also bogus. The operator is 40 years of age, 6 feet tall, about 200 pounds; has dark complexion, and appears to be of German descent. A warrant is in existence at Dover, N. J., and he will be extradited from any point in the United States.

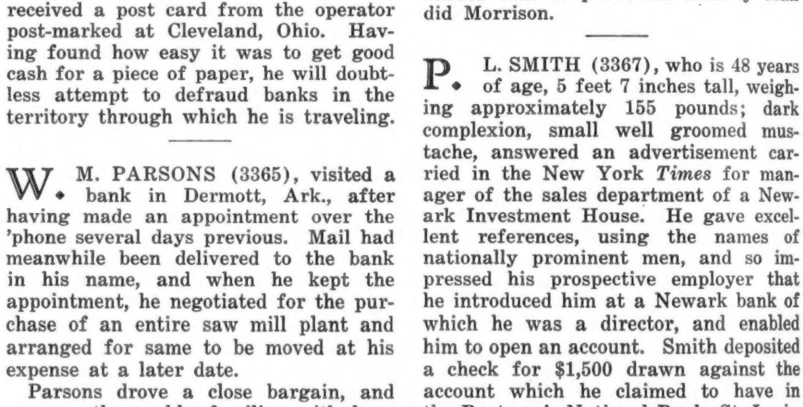
A BAD check operator calling himself GEORGE McDONALD (3363), who is about 55 years of age, 5 feet 6 or 7 inches tall, gray hair, was employed in the town of Victor, N. Y., for the past two years. Taking advantage of a fairly good reputation which he had built up during that time, he visited a local bank, and succeeded in having them cash a small check signed Milan Milling Company of Lockport, N. Y. The check was returned "no account," and it is believed that the Milan Milling Company is a non-existent corporation. A few days later the Victor National Bank received a post card from the operator post-marked at Cleveland, Ohio. Having found how easy it was to get good cash for a piece of paper, he will doubtless attempt to defraud banks in the territory through which he is traveling.

W. M. PARSONS (3365), visited a bank in Dermott, Ark., after having made an appointment over the 'phone several days previous. Mail had meanwhile been delivered to the bank in his name, and when he kept the appointment, he negotiated for the purchase of an entire saw mill plant and arranged for same to be moved at his expense at a later date.

Parsons drove a close bargain, and appears thoroughly familiar with lumbering methods and lumber concerns in the South and Central part of the United States. He paid for his purchase with a draft drawn on Cleveland, Ohio, and then succeeded in having funds advanced against his personal account. Both the check and draft were later returned "no account." The operator claims to be 67 years of age, but appears to be between 55 and 60 years, about 140 to 145 pounds; fair complexion, dark gray eyes, light brown hair, slightly gray and thinning on top, short stubby mustache turning gray. He has a large forehead and intelligent face. Slow and deliberate in speech and motions, and appeared well dressed.

D. J. MORRISON (3364), represented himself as a Department of Justice Agent. Due to his ability to convince a Philadelphia bank official that he was a bona fide representative of that department, he was allowed to withdraw against deposits of checks drawn on the Franklin Trust Company and the Cobbs Creek Title Company before proper returns thereon had been received. His deposits were returned with the familiar "no account" flag on them. We do not doubt but that the next legitimate police officer encountered by the Philadelphia bank will have a harder time to prove his identity than did Morrison.

P. L. SMITH (3367), who is 48 years of age, 5 feet 7 inches tall, weighing approximately 155 pounds; dark complexion, small well groomed mustache, answered an advertisement carried in the New York *Times* for manager of the sales department of a Newark Investment House. He gave excellent references, using the names of nationally prominent men, and so impressed his prospective employer that he introduced him at a Newark bank of which he was a director, and enabled him to open an account. Smith deposited a check for $1,500 drawn against the account which he claimed to have in the Boatmen's National Bank, St. Louis, Mo. On the strength of his sponsor's identification, he was allowed to make withdrawals against the uncollected check which was subsequently returned "no account." A complaint has been made to the Newark police and a warrant has been issued for the arrest of this operator. Reproduction of the check, which is in the handwriting of the operator, is carried herewith.



Reproduction of bogus check in the handwriting of P. L. Smith

BERNARD RUDOLPH (3366), alias J. J. Clark defrauded two Binghamton, N. Y., banks by opening an account representing himself as a restaurant proprietor. The account would be opened on a Thursday and on Friday he would deposit check drawn on the Peoples National Bank of Belleville, N. J., signed J. J. Clark. During the Saturday rush hours he would approach the teller and under pretense that he wanted to get sufficient change and small bills to carry him over the week-end, he succeeded in cleaning out the balance shown on the books. The Belleville, N. J., checks subsequently came back "no account." Rudolph is about 43 years of age, 5 feet 10 inches tall, weighing 165 pounds; dark complexion, has very thin hair long locks of which are combed back from his forehead across the front to cover bald spot. Wears glasses and his Jewish nationality is evident.

International Harvester Checks Again

TWO young men have been operating in the South and middle western sections of the country using checks purporting to have been issued by the International Harvester Company. Some bear the address of the Minneapolis branch of the International Harvester Company and are drawn on the Northwestern Trust and Savings Bank, Market and Fourth Street, Minneapolis, although there is no such bank, or on the Northwestern National Bank, Minneapolis. Others give the address of the Kansas City office of the International Harvester Company, and show in the lower left hand corner, First National Bank, Kansas City, Mo. The names so far appearing as payees on the checks are: JAMES W. SMITH (3343) and J. W. GREEN (3344). The description of one of the operators is that he is short and stocky with rather long red hair parted in the middle and speaking with a distinct brogue. He has a freckled face and wears a bow tie. The other is about 25 years of age, 5 feet 6 or 7 inches tall, weighing 140 pounds; has fair complexion, light brown hair combed back smooth and light brown mustache. He wears a bow tie and talks in a rather effeminate manner.

Stolen Treasury Certificates

THE following described 3⅜ per cent United States Treasury certificates dated June 15, 1927, callable June 15, 1943, and date of expiration June 15, 1947, have been stolen from a New York bank:

2—$10,000 certificates, Nos. F-00021006 and G-00021007

1—$5,000 certificate, No. F-0005146.

It is requested that this information be furnished to employees who would handle this class of securities and if bonds bearing the above numbers are received, the nearest office of our agents should be notified.

Real Estate Swindler Arrested

Allan G. Rogers

ON page 2 of the July, 1928, issue of this Section an article describing the activities of WILLIAM E. SMITH (3261) was carried. Subsequent to that article he succeeded in defrauding one or two more banks, but like the pitcher that returned to the well once too often, his arrest was effected by the police of Milford, N. H., and warrants from several places have been lodged. However, we feel that this operator is wanted in many other places, and as he is a dangerous person to be at large, we are reproducing his picture along with that of ALLAN G. ROGERS (3370), who was arrested with him. Banks recognizing either of these parties as having defrauded them, are requested to have their local authorities file detainer warrants with the police of Milford, N. H.

William E. Smith

Cashier's Check Man Jailed

J. B. SAUNDERS (2370), alias S. E. Clayton, and numerous other aliases, has been arrested at Florence, Ala. This operator negotiated bogus cashiers' checks throughout the country generally using a form on which appeared the name of the Merchants National Bank, Farwell, Tex., a non-existent institution. A warning on Saunders and a reproduction of one of his bogus instruments last appeared on page 4 of this Section in June, 1928. Banks who have been defrauded by this crook are advised to have their local police communicate with the sheriff at Florence, Ala.

A Lone Bandit

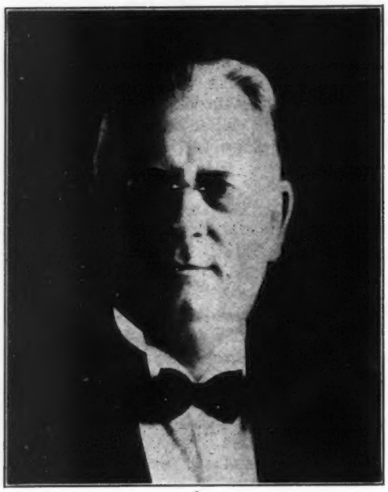
WE are publishing herewith a picture of WLADMIR PRUSZYRESKI (3345), who was arrested in Long Beach, Cal., in connection with the holdup of the Security Trust and Savings Bank in that city. After his arrest he confessed to the holdup of the Continental Mutual Savings Bank, Seattle, Wash., Bank of Italy and the Marine Trust & Savings Bank, Long Beach, Cal., earlier in the year. This operator is very daring and always works alone. It is probable that Pruszyreski has been implicated in other crimes against the banking fraternity and while he faces a long sentence for the robberies now charged to his account, any member identifying him as the perpetrator of a crime, should arrange with their local police to file a detainer warrant with the authorities at Long Beach, Cal., so that he may be kept incarcerated as long as possible.

Wladmir Pruszyreski

One Man Bank Holdups

DURING the past month several bank holdups in small towns have been reported to this department, and in spite of repeated warnings carried in this Section, the success of three attacks was contributed to by the action of the bank in having only one man on duty at the time the bandits entered. No matter how small the bank or the force of help maintained, an effort should be made to have at least two persons on duty at all times. If this is impossible, arrangements should be made with the local police officer to remain in the vicinity of the bank during the time each day when only one person is on duty. The criminals who operate against banks are generally well organized, and know before they visit the bank that only one person will be on duty.

WARNINGS

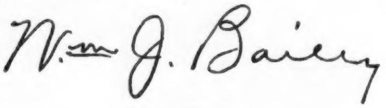


W. G. Andrews

W. G. ANDREWS (2814), whose picture is carried on page 6 of the July, 1927, issue of this section, is reported again at his old tricks. For two years he was manager of the Apollo Male Chorus with headquarters at Morgantown, W. Va., and since he left Morgantown is alleged to have visited Pittsburgh and other Pennsylvania towns, where he has organized and directed musical organizations. As soon as he becomes settled he borrows all the money he can from friends, and gets out of town. He is apparently an admirer of the ladies, and generally gives some hard-luck story such as having a wife dying in Chicago, in order to realize money on his worthless checks. Andrews is 65 years of age, 5 feet 10 inches tall, weighing 200 pounds; has ruddy complexion, gray hair, very pleasing personality, wears rimless glasses.

George J. Bailey

GEORGE J. BAILEY (3346), has defrauded several western banks during the past seven years by passing himself off as William J. Bailey, who has an account in a Fort Worth, Texas, bank. He recently presented a draft drawn on the account of Wm. J. Bailey, and had the bank which he visited wire the Fort Worth bank regarding the account. He has served two terms in jail, and was arrested in San Antonio, Texas, a short time ago, but is now at liberty and will no doubt continue his fraudulent operations. A picture of Bailey taken at the time of his last arrest and a specimen of his writing are published in this issue. He is 32 years of age, 5 feet 6½ inches tall, weight 135 pounds; has medium complexion, brown eyes and light brown hair.

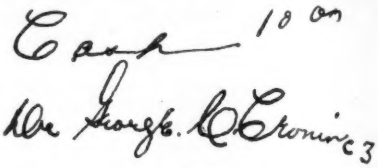


GEORGE R. BECKER (3347) is reported from St. Johnsbury, Vt., as having been successful in negotiating bogus checks which appear to be on the printed form of the Beckwith-Chandler Company of Newark, N. J., manufacturers of varnishes, colors and lacquers. We are reproducing the operator's indorsement as it appears on one of his checks. He is about 25 years of age, 5 feet 7 inches tall, weighing 160 pounds; has florid complexion and dark hair; well dressed; talks fluently.

EDGAR COOK (3348) opened an account with the State Trust Company of Plainfield, N. J., by depositing a check signed Aloysius A. Roesch drawn on the Manufacturers Trust Company of New York. The New York bank returned the check "no account," and while the operator did not succeed in obtaining any money from the bank where he opened his account, he did receive one of their check books, and subsequently about 30 worthless items were received from nearby points.

F. J. COCHRAN (3314), whose actiities are described on page 5 of the August, 1928, issue of this section, is continuing his operations against banks, most recent reports placing him in Globe, Ariz. Supplementing the previous warning, for the added protection of our member banks we are reproducing one of the bogus checks used by this operator.

A bogus check operator who has given himself the title of doctor, has been drawing checks on the Broad and Market National Bank and Trust Company of Newark, N. J., and was last reported in Stamford, Conn. Some of the names appearing on the checks are: Dr. GEORGE D. CRONIN, Gerald D. B. Connolly, Gerald D. Crown, etc. No description of the operator is available, but a specimen of his handwriting is reproduced here.



Bogus Cashiers' Checks

WHILE traveling on the state road in the vicinity of San Antonio, Texas, a citizen of that city found what appeared to be a cashier's check of the Argyle National Bank, Kansas City, Mo. The check was dated April 15, 1928, to the order of J. C. DAVIS (3349) for $100, signed W. G. McClure, Cashier. In the lower left hand corner appears the words "Cashiers Check." The Kansas City bank declared this check a forgery, and it is probable others are in existence, therefore members should guard against their negotiation.

MAXWELL FRENCH (3350), alias J. B. Cross, has been negotiating checks bearing the alias shown above, and claims to be in the employ of the California Vineyard of 1605 South State Street, Syracuse, N. Y. The checks were drawn on the City Bank and Trust Company of Syracuse, and have been returned "No Account." Last reports place him at Skowhegan, Maine.

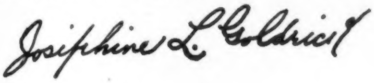
HAROLD M. FRISCH (3351), alias Fred Harris, who was employed as a bookkeeper on a large ranch at Monterey, Cal., converted to his own use $10,000 of his employer's money, and left the ranch taking with him a dozen or more blank checks. Frisch is a native of Brooklyn, N. Y., and previously defrauded a New York bank through

One of the bogus checks used by F. J. Cochran

Harold M. Frisch

forgery. He no doubt will attempt to negotiate some of the checks now in his possession. For the protection of our members, we are carrying a recent picture of Harris with this warning, and should he be recognized from this article, he should be detained and the local police notified. The sheriff at Salinas, Cal., holds a felony warrant and will extradite from any part of the United States. His description follows: Thirty-six years of age, 5 feet 6 inches tall, weighing 210 pounds, stocky build, brown hair, round face, light complexion, ruddy cheeks, gray eyes.

A young lady about 32 years of age, fairly tall, dark complexion and dressed in mourning succeeded in getting a check for $10 cashed in a Philadelphia store after she had convinced the sales person that she was a relative of a well known local undertaker. She used the name JOSEPHINE L. GOLDRICK (3352), and the check was drawn on the Germantown Trust Company, Germantown, Pa. Specimen of this operator's handwriting is reproduced herewith.



Forger Forfeits Bond

Robert Harper

ROBERT HARPER (3353), alias A. K. Young, alias Reginald Holden and who is 27 years of age, 6 feet 1 inch tall, weighing 180 pounds; medium build, fair complexion, reddish blond hair, small mustache; was arrested by our New York agents on July 31 at the request of the Kansas City authorities. He was released on bail but failed to put in an appearance when his case was called. Harper under the alias Holden, is a member of the Equity Association, and that organization has promised to cooperate with the New York Police to cause his arrest. A recent photograph of Harper is published with this warning, and it is suggested that anyone recognizing him notify their local police and request them to advise the New York Police Department.

L. A. HILL (3354) claiming to be an advertising representative of Clark Bros. Chewing Gum Company, visited one of the customers of that company in Pittsburgh recently, and after engaging them in conversation, endeavored to have a check for $72.20, purporting to have been issued by the Clark Bros. Company, cashed for him. The young lady to whom he was talking took a sample of the Clark Bros. products from the showcase, and the operator evidently became alarmed and left the store leaving the check behind him.

NEVIN HUBER (3355), formerly was employed by the advertising firm of Meylen Company of Chicago, Ill. After being discharged for cause, he visited former customers of this company, among whom was a Williamsport, Pa. bank, and it honored checks drawn by him without being aware that he was no longer connected with his former employers. Huber is using checks of the Lake Shore Trust & Safe Deposit Company of Chicago, Ill., but has no no account at this bank. He is about 50 years of age, 5 feet 6 inches tall, weighing about 200 pounds; light complexion, a good dresser and is said to have a pleasing personality. The bank whom he victimized in Williamsport will proffer charges against this operator should he be apprehended.

MRS. SHIRLEY A. KEMP (3356), has succeeded in defrauding a bank and merchants at San Francisco, Cal., by means of worthless checks made out on the form of the Bank of Italy to the order of Multigraph Letter Company and signed George Reohan. Mrs. Kemp is 45 years of age, 5 feet 7 inches tall, weighing 140 pounds; light brown hair, large blue eyes, very clear complexion, medium build, pleasant voice and she claims to be a graduate nurse from a Chicago hospital.

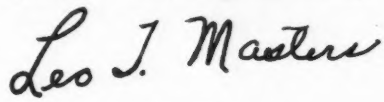
Auditing Company Checks Bogus

CHECKS drawn on a printed form of the American Auditing Company, New York City, with the name of the City National Bank of New York City in the lower left hand corner, and signed G. E. White, Treasurer, have been negotiated in East Akron, Ohio. The specimen at hand is made payable to C. W. KNECHT (3357). The City National Bank is non-existent, and no record can be found of the American Auditing Company doing business in New York City. Member banks should be on the alert for the appearance of these checks.

Posing as an employee of the Eastern Illinois Railway Company, a man using the name of G. MAGUIRE (3358) defrauded a Jefferson City, Mo., merchant on a forged check purporting to have been issued by the Railway company for lost time. The operator is believed to be traveling through the country by automobile as he bought a tire for a small car; and will probably continue his fraudulent activities. He is 5 feet 7 inches tall, weighs 145 pounds, has light hair and when in Jefferson City wore khaki pants, cap and boots.

A Whiskered Scheme

LEO T. MASTERS (3359), made application with a small loan and finance company of Cumberland, Md., for a loan of $200 for three months, and offered as security what purported to be a $1,000-15 year secured gold bond of an electric public service company. The operator claimed to be assistant manager of the Smith Brothers Cough Drop Company of Poughkeepsie, N. Y. When the $200 loan was not paid at the expiration of three months, his collateral was taken up but it was then found that the bond was bogus. Masters is about 5 feet 8 inches tall, rather stocky build, dark hair and eyes and presents a good appearance. A reproduction of his signature is carried with this warning.



ANDREW MEKALOOS (3360), arrived in Aberdeen, S. D., in a Nash Sedan bearing an Illinois license and in a few days got in touch with a local real estate man whom he advised of his intention to open a confectionery store. He selected a location, signed a lease and then deposited in a local bank, a number of large items drawn on the Peoples State Bank of Waukegan, Ill., and the West Madison State Bank of Chicago, Ill. These were subsequently returned "no account," but in this instance, due to the good judgment of the Aberdeen bank, the operator was unsuccessful in his attempt to withdraw against the uncollected items.

Mekaloos is 5 feet 10 inches tall, rather thin, very dark complexion, has facial characteristics of an Indian but speaks with a decided Greek accent. It is believed that he is wanted by the Chicago, Waukegan and Los Angeles Police.

C. D. MONROE (3369), who is 40 years of age, 5 feet 7 or 8 inches tall, weighing 135 to 140 pounds; brown hair, sallow complexion, protruding chin and who appears to be a drug addict, opened an account with the Mission Street Branch of the Bank of Italy, San Francisco, Cal., with a draft for $3,500 against an account which he claimed to have in the First National Bank of St. Joseph, Mo. The draft was returned "no account" and so far it is not reported that the operator has made any attempt to withdraw funds from the San Francisco bank.

E. C. MOORE (3368), who identified himself with what purported to be government credentials as an internal revenue officer, and who showed an identification card of the Masonic order, victimized a Montclair, N. J., merchant by presenting a check on the form of the Bank of Coney Island, N. Y. It was signed R. S. Burnes, and showed what purported to be the certified stamp of the Bank of Coney Island. This is just a cheap rubber stamp, and it is so crude that no careful bank should suffer a loss from it. We have no description of the operator, but are reproducing specimens of handwriting appearing on the bogus certified check.

E. C. Moore
R S Burnes

Old Timer Wanted

Robert W. Redmond

ROBERT W. REDMOND (3372) first invited our attention the latter part of 1919, when he visited Jefferson City, Mo., and advertised himself as manager for the Fox Film Company of St. Louis, stating he had been sent to Jefferson City for the taking of Ozark scenes. He signed up several young women to take part in the proposed production, then succeeded in having several small checks cashed and disappeared. In 1924 he was arrested and received a four year sentence in the California State Prison, being released the latter part of 1927. He immediately renewed operations against the banking fraternity, his latest pose being that of an interior decorator. Redmond is 40 years of age, 5 feet 11½ inches tall, weighing 164 pounds; has black hair, light brown eyes, sallow complexion, muscular build; his left thumb is amputated at the middle joint and he is unable to straighten left middle finger which has been smashed. We are publishing a picture of this operator taken at the time of his arrest in 1924, and this should receive the particular attention of Pacific coast banks.

F. W. SPENCER (3375) arrived in Sheridan, Ore., recently in a Ford coupe accompanied by a woman presumably his wife. In some manner he obtained a check for $12.40 from a depositor of a local bank, but when the check was presented it read $112.40, and he was successful in receiving the higher amount. The descriptions of the operator and his wife, and handwriting specimens are not available at the time this goes to press, but we are advised that a warrant is in existence for Spencer, and any member bank identifying him through this warning should notify the local police and supply them with this information.

M. H. TATE (3376) appears as payee on a number of checks which have been cashed through the Ohio Valley, particularly around Ironton and Fort Smith, Ohio, and Huntington and Charleston, W. Va. These checks are lithographed on yellow paper marked "payroll checks," signed Pittsburgh Engineering and Supply Company and are drawn on the Ashland National Bank of Ashland, Ky. The bank does not carry such an account and so far it would appear that only merchants have been defrauded.

W. H. THIBAULT (3377) has been soliciting subscriptions throughout the country for the American Hebrew, a magazine for American Jews published in New York City. Thibault is not an authorized representative of this publication but on the checks he has received in payment for subscriptions, he has placed the indorsement of the American Hebrew, and his own name as manager, then converted the money for his own use. We are advised that a warrant for Thibault's arrest is on file with the police department of Beloit, Wis. Reproduction of this operator's handwriting is carried herewith, and his description follows: Thirty-six years of age, 5 feet 10 inches tall, weighing 150 pounds; black hair, florid complexion, smooth shaven and dresses neatly.

The American Hebrew
W H Thibault Mgr.

Stolen Bank Paper

ON July 18, 1928, three armed bandits held up the State Bank of Gardner, Gardner, S. D., obtaining besides $3,000 in cash, two cashier's checks and 7 certificates of deposit described as follows:

Cashiers Checks:
No. 2361 dated Jan. 30, 1928 for $600.00
No. 2380 dated April 13, 1928 for 239.00

Certificates of Deposit:
No. 1767 dated April 26, 1924 for $4,800.00
No. 1768 dated April 26, 1924 for 900.00
No. 2113 dated March 26, 1927 for 51.20
No. 2162 dated Aug. 17, 1927 for 120.00
No. 2192 dated Jan. 16, 1928 for 100.00
No. 2205 dated March 22, 1928 for 8,500.00
No. 2242 dated July 7, 1928 for 31.00

If any of the above are presented, the nearest office of our agents should be notified.

Signed Checks Stolen

THE Board of Foreign Missions of the United Presbyterian Church of North America, in Philadelphia, report that on the evening of August 13, their offices were entered and among other things, the following described checks were stolen:

No. 7155, $2,000; Nos. 7165, 7166 and 7167, $1,000 each; Nos. 7171, 7184, 7185, 7197, 7198, 7199, 7200, 7201, 7202, 7203, $5,000 each; No. 7188, $3,000. These checks were all made payable to Robert L. Latimer, Treasurer, and signed William M. Anderson, President and Robert L. Latimer, Treasurer. Check No. 7193 payable to F. S. Hoyman, Treasurer; check No. 7194 to W. H. Merriam, Treasurer; No. 7195 to H. D. Finley, Treasurer, and No. 7196 to Fred L. Russell, Treasurer; were signed by William M. Anderson only, and the amounts were blank. These checks were all drawn on the Corn Exchange National Bank & Trust Co., Philadelphia, Pa. If any of them are presented for deposit, the receiving bank is requested to notify the nearest office of our agents.

Arrests and Dispositions

THE detailed record of arrests and dispositions usually presented upon this page is omitted due to lack of space, but the figures are taken into account in the following table:

Statistics of the Protective Department

	Awaiting Trial Sept. 1, 1927	Arrests			Dispositions			Total Awaiting Trial
		Reported Since Sept. 1, 1927	Reported in August, 1928	Total	Convicted	Discharged or Acquitted	Fugitives Escaped, Insane or Dead	
Forgers, etc....	87	188	17	205	128	45	20	99
Burglars.......	12	19	....	19	5	3	....	23
Holdups.......	93	211	10	221	139	40	8	127
Total........	192	418	27	445	272	88	28	249